

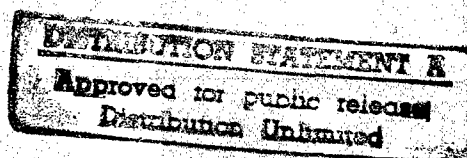
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A N N I V E R S A R Y  
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# ***JPRS Report***



## **China**

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## UNITED STATES

### Criticism of U.S. Press Coverage of Gulf Crisis

91CM0194A Beijing ZHONGGUO JIZHE [THE CHINESE JOURNALIST] in Chinese No 47, 15 Nov 90 pp 57-58

[Article by Li Xin (7812 0207): "How Do American Journalists Report on the Gulf Crisis"]

[Text] In the small hours of 2 August, an Iraqi army of 100,000 men attacked Kuwait with lightning speed, and an unprecedented political and military crisis erupted in the Gulf region. In my capacity as a XINHUA NEWS AGENCY reporter, I had the good fortune to participate directly in reporting on this crisis, and also to observe and study at close quarters the work of my American colleagues.

#### Going All-Out To Do the Job

As soon as the Gulf crisis erupted, the whole U.S. journalistic community went all-out, rushing to start reporting, and the various U.S. news agencies stationed in Cairo also got extremely busy. In the past, the Voice of America had broadcast 13 hours every day to the Middle East; they now increased this schedule as of 15 August to 24-hour, day-and-night broadcasting. For over one month, at least one-third and at most four-fifths of the news from Associated Press [AP] dealt with the Gulf crisis. The U.S. Cable News Network (CNN), known for its round-the-clock, on-the-spot reporting, got busy as never before, with a ubiquitous reporting organization from Cairo to Baghdad and Riyadh and from Ankara to Amman. After 2 August, at the several international meetings in Cairo, I noticed that new faces appeared in all the U.S. press units stationed in Cairo, and among them were also American journalists temporarily transferred to Cairo from other countries, but also many newly added local employees. The local employees working for U.S. press units were mostly hired for "errand" jobs and did no writing of their own. Front-line photography for CNN was done by four husky fellows; reporters would not show up unless there was something extremely important. The Cairo reporter for THE NEW YORK TIMES hired two pretty young girls to stay on the spot and watch all day when the several international conference were going on; they would immediately phone their reporters about what was happening, the reporters would then write up their articles. I noticed that the "errand boys" hired by Western (including U.S.) press units were mostly young and pretty women. It seems a bit strange that, in these Arab countries where discrimination against women is widespread, women reporters have more opportunity than men. For instance, if a man and a woman reporter each raises his/her hand to ask a question at a press conference, eight or nine times out of ten the woman will get to ask the question.

There is, of course, no denying the great effort put forth by the individual American reporter. However, in their

operations they rely on three things: 1) They rely on "errand boys." 2) They rely on "inside lines"—and the "inside lines" are bought with money, this is an open secret. 3) They rely on advanced technological equipment. For instance, every American reporter takes to the reporting scene his portable computer on which he can write his report, which will preserve his report, and from which he can send out his report. Regardless of where he is writing, as long as he can find a telephone, he can send his report to the editorial department through the telephone line. Relying on these three items of "superiority," he will frequently have the upper hand when it comes to speed of reporting. For instance, on 2 August the Iraqi Army crossed the Kuwait frontier at 0400 Greenwich time; at 0412 AP had already sent out an urgent message from Kuwait, and at 0418 a followup. Later reports went out almost as if they were accompanying the Iraqi attack. It is also reliance on these three factors that enabled the U.S. press units to report in such volume and to so broad an extent.

However, relying excessively on news provided by the "inside lines," that is, the "checkbook information," is frequently detrimental to the accuracy of the news. In reading news items from American reporters, we often see that the source is given as "an unnamed official," "a person close to the president," "a spokesman whose name according to rule must not be revealed," and so on. These "officials," "persons," and "spokesmen" are actually in many cases inside lines bought with money by the American reporters. Unavoidably, among them are persons who violate "trade ethics" and provide false information merely to defraud the reporters of their money. Since the eruption of the Gulf crisis, AP has reported some false information that had people dumbfounded, such as "the Soviet Union will join the allied forces under U.S. leadership," "Iraq has deployed troops in the Sudan and in Yemen," "Jordan's king brought a personal letter written by Saddam Husayn to the President of the United States," and so forth. All these news items must have come from the mouth of "persons who do not want to be named." The Cairo reporter of the French newspaper LE MONDE once told me that his newspaper, being France's top newspaper, would never spend money to buy information. "Because of the indelible impact of the training of the Americans," he said, "I dare bet the Americans will also be much deceived in the course of the current Gulf crisis." I would not want to guarantee that LE MONDE does not go in for some "checkbook information." However, much of the false news reported throughout the whole history of U.S. press reporting has to do with the "checkbook"; that is an iron truth.

Taking a panoramic view of the U.S. news media, we can discover that their reporting style has two extremely serious weaknesses: One is putting quantity over quality, and the other is deliberate exaggerations to sensationalize the news. There is a good example that will well explain this: Shortly after the large Iraqi Army occupied Kuwait, all U.S. press units reported the shocking news



of Iraqi soldiers having gang raped five Gulf Airline stewardesses, according to an accusation by a "female fellow worker" of the victims. Later, the Gulf Airline issued a statement declaring this report absolutely fictitious—the person who had made the accusation never had any connection with Gulf Airline. Moreover, leaving political considerations aside, the American press has for a long time pursued a "reporting policy" of reporting primarily on conspicuous crimes, particularly sex crimes, which has spurred reporters to particularly go after this kind of "news."

Is there credibility in their talk of being "supraparty" and "supraclass"?

### **"Unity of Public Opinion"**

Unprecedented "unity of public opinion" is still another major characteristic of present reporting on the Gulf crisis by American journalists. The "unity of public opinion" is manifested mainly in the interpretation of news events. After the UN Security Council decided to impose economic and military sanctions on Iraq, all U.S. press units interpreted "embargo" as "blockade," and at the same time enlarged in their reports on the concentration of U.S. military forces in the Gulf region, playing up the military might of the United States, building up momentum for a possible direct attack on Baghdad, with the effect that the mood of outsiders rose and fell like a little boat riding on high ocean waves. Security Council Resolution No. 885 refrained from saying that the embargo shall be enforced by military means; the gist of the resolution was to strengthen the embargo and thereby force Iraq out of Kuwait and to restore the legitimate government of Kuwait. Under the pens of the American reporters this resolution seemed to have authorized the U.S. military to override the various resolutions of the UN Security Council and to attack Iraq militarily. In the Gulf crisis, the 12 countries of the European Community [EC], except for Britain, distanced themselves to varying degrees from the United States. For instance, the United States was rebuffed when it asked its allies to bear the costs of the multinational force. The EC only agreed to render economic aid and to compensate Egypt, Jordan, and Turkey for economic losses caused by the embargo. However, what you can see in U.S. news reports is only the solidarity and unity of Europe and the United States, and there are seldom articles that analyze the differences between the two. It is the same in domestic reporting. After the dispatch of U.S. forces to Saudi Arabia, all papers were in favor of the move, and they shouted with one voice that "Iraq must be beaten." In this unanimous clamor, the former U.S. secretary of state, Haig, and former U.S. delegate to the United Nations, Kirkpatrick, expressed the opinions that "the United States has gone too far" and "the situation, we are afraid, is beyond restoration." These adverse remarks have been drowned almost completely in the "clamor for battle." The INTERNATIONAL HERALD TRIBUNE, when publishing articles by these persons, printed them on the page opposite

to the editorial page. According to American press tradition, the editorial page expresses the opinion of the newspaper concerned, and articles on the opposite page are merely "lessons to be gained from negative experiences" to give a false impression of "impartiality."

To appeal at highest pitch to the "patriotic" tradition is another characteristic of the U.S. news disseminating media as they report from the Gulf. The U.S. press organization flaunts its "independence" from government. Speeches by the president and other high-ranking officials and government documents are generally published only as summaries or as statements interspersed with comments, while full texts are published only by the state-run U.S. Information Service. However, in the present crisis, several speeches by President Bush were broadcast live on radio and TV from beginning to end and fully reproduced by newspapers and news agencies. A large-scale mobilization like this in support of the government has seldom occurred in the history of American journalism. In recent decades, there are only two precedents that rival the present occasion: One is President Roosevelt's speech after the surprise attack on Pearl Harbor when he announced at the emergency meeting of Congress the declaration of war against Japan. At that time the American press reported on an unprecedented scale and as with one voice. The other occasion was when, a few hours after the assassination of President Kennedy, Johnson took the oath of office as succeeding president. At that time all U.S. press units reported every word of the new president's statement. It is true that the present Gulf crisis is a shock to the whole world. Iraq's invasion and swallowing up of another sovereign country is indeed resented by everybody. However, the security of the United States is not at all directly threatened, but on the other hand, the American press has shown so huge an enthusiasm in its support of the government as could only happen in an emergency condition. People therefore cannot help wondering whether any credence can be given to such "journalistic theories" as being "supraparty," "supraclass," and "differing from government opinions," which are attitudes which the American press is always so eager to affirm.

### **"Boundless Enthusiasm" and Highest "Patriotic" Spirit, Where Do They Come From?**

The "boundless enthusiasm" and high "patriotic" spirit displayed by the American press in the Gulf crisis would be, in our terminology, a display of an "ideological root." In this case the root is their tacit understanding of the strategic intention of the United States in this crisis. The American journalists proclaim copiously and with much glee that there is now only "one superpower" in the world, and that "the Gulf crisis is accentuating the leadership role that the United States is now playing throughout the world" (TIME magazine). A commentary in THE WASHINGTON POST is also worth our attention (fully reprinted in THE JERUSALEM POST of 31 August). The commentator unequivocally expresses his belief that the Gulf crisis is "a bridge toward democracy" for the various countries of the Middle East, that a "very

gratifying phenomenon" in the Gulf crisis is "that those regimes in the Arab world that had been leaning toward the United States, but had been ashamed to acknowledge it, now have the courage to acknowledge before the world... we have appealed to the United States for help and there is nothing wrong with that." The commentator also advocates that "the United States should seize the opportunity of the Gulf crisis to push for democratic revolution in the Middle East." "The Gulf crisis compels the Arabs to decide what kind of regimes they will want to set up and what kind of leadership they want to choose." The commentator frankly expresses his belief that after the capitalist countries of the world will have succeeded in their peaceful evolution in some of the "communist countries," they should "closely combine the anti-Saddam Husayn fight with the broader fight for democratic institutions in the Middle East." During the past year and a half, the American journalists have on three occasions made an "all-out effort," once at the time of the disturbances in China, a second time during the upheaval in Eastern Europe, and now in the Gulf crisis. In the "combative reporting" on these three occasions, the American journalists have displayed a high level of "political consciousness."

I want to make it clear here that this is not an attempt to "kill off with one stroke" the way American journalists have been reporting on the Gulf crisis. However, their reports allow us indeed to recognize much more clearly the class nature of the American press. Furthermore, I believe that, as the Gulf crisis develops, this nature will be exposed even more fully. We must maintain our vigilance with regard to Western news reporting, especially American news reporting.

## SOUTHEAST ASIA/PACIFIC

### Biographic Information on Goh Chok Tong

91P30082A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 1069, 16 Dec 90 p 7

[Article by Wang Liping (3769 0448 1627): "Singapore's Second-Generation Leader—Goh Chok Tong"]

[Text] Goh Chok Tong, formerly Singapore's first deputy prime minister and defense minister, was sworn in on 28 November 1990 as the second prime minister of the Republic of Singapore, succeeding Prime Minister Lee Kuan Yew, who held power for 31 years. Singaporeans place great hope in this new prime minister. President Wee Kim Wee expressed his deepest confidence that Goh Chok Tong will be an outstanding prime minister.

Goh Chok Tong was born in Singapore on 20 May 1941. He is of Fukienese descent. He was born into a poverty-stricken family. During his childhood his father died; his mother was a teacher in a Chinese school. He has a special interest in the Chinese language. Aside from studying it at school, he also studied Chinese at night school. Later, while he worked in the government, Goh Chok Tong also employed a high school teacher just to

teach him Chinese. He believes that studying Chinese is enjoyable and, even more important, that he can use Chinese to interact with even more Singaporeans.

In 1964 Goh Chok Tong graduated from the Economics Department of the University of Singapore with excellent grades. In 1966 he received a fellowship at Williams College in Massachusetts to pursue advanced studies. During his studies abroad, Goh Chok Tong's grades put him at the head of his class. He received a master's degree in development economics. Both in high school and college, Goh Chok Tong made a deep impression on people in many areas.

Originally Goh Chok Tong did not aspire to a position in the government. After he graduated from college in 1964, he became an economic planning investigator and assistant secretary in the Finance Ministry's Economic Planning Unit. He has a great deal of experience in public affairs and enterprise management. After winding up his studies at Williams College in the United States, Goh Chok Tong returned to Singapore and worked at the state-run Neptune Orient Lines, Inc. He was the planning and development manager at that company as well as the director of financial affairs and the chairman of financial affairs. Moreover, in 1973 he was promoted to chairman of the company, and, in a few short years, Goh Chok Tong had the company turning a profit. Just as Goh Chok Tong was successfully managing the company, his good teacher and helpful friend, former Defense Minister [as published] Hon Sui Sen (who passed away in 1983) insisted that he get into politics. At Hon Sui Sen's repeated insistence, Goh Chok Tong finally abandoned his high salary and position in 1976 and entered the ruling Singapore People's Action Party [PAP]. In the same year he ran for election under party auspices and was elected to the Parliament. From that time, Goh Chok Tong began his political career.

During the 1970's Lee Kuan Yew and others of the older generation of Singaporean leaders set about painstakingly choosing and grooming successors, forming a group of younger people who were college educated, had technical knowledge, and had work experience to serve in leadership positions in the party and cabinet and to be Singapore's second generation of leaders. Goh Chok Tong was the most outstanding of these. Goh Chok Tong was greatly appreciated by Prime Minister Lee Kuan Yew and received his guidance and was put in key positions. After entering political circles in 1976, Goh Chok Tong rose very quickly. In 1977 he became a senior administrative minister at the Ministry of Finance. In 1979, at the age of 38, he was promoted to trade and industry minister. Under Hon Sui Sen's careful guidance, Goh Chok Tong came up with his first (1981-1982) government budget plan and also took part in the planning, formulation, and implementation of the economic restructuring that Lee Kuan Yew advanced. Later he held the post of health minister and defense minister and concurrently held several posts in government ministries.

In 1979 he was elected second assistant secretary of PAP and first organizational secretary, making him a key organizer for the 1980 general elections. In May 1980 Goh Chok Tong began concurrently serving as a member of PAP's Special Coordination Council. In 1984 he assumed the position of assistant party secretary. After this, his prestige increased daily. His position was second only to Lee Kuan Yew; he was the number-two person in the party. In January 1985, Prime Minister Lee Kuan Yew formed a younger, specialized Cabinet of "experts to run the country." Goh Chok Tong, who had reached his prime, concurrently took the posts of first deputy prime minister and defense minister, becoming Lee Kuan Yew's right-hand man. After that, Lee Kuan Yew and Goh Chok Tong were consulted on policies made by the Cabinet. From 1989 on, Lee Kuan Yew gave him a free hand, and Goh Chok Tong had full power in formulating all Cabinet policy. Since the 1984 general elections, the second-generation leaders have held several meetings. They are unanimous in choosing Goh Chok Tong as their leader and are unanimous in the decision to make him Lee Kuan Yew's successor.

Goh Chok Tong supports and implements Prime Minister Lee Kuan Yew's domestic and foreign policy and

adheres to the aims set by Lee Kuan Yew for running the country. He says that the new generation of leaders should understand, cooperate, and mutually support each other like a soccer team. He stresses "collective leadership" and "democratic style," and believes that before all major decisions the masses should be consulted and a dialogue established with the people. He points out that government stability is the foundation of economic prosperity. On 27 November, Goh Chok Tong at the request of the president formed a new cabinet and was sworn in the following day. He indicated that he will do his utmost in the days ahead and will carry on the establishment created by Lee Kuan Yew. He will continue efforts to develop the economy, improve the people's spiritual and material standard of living, and make an effort to make Singapore even more prosperous.

Goh Chok Tong is 1.8 meters tall, his demeanor is elegant, his personality reserved, and he is sincere. Every morning he plays tennis or golf, starts work at 1000 and gets off at 1800. On Saturday afternoons he usually plays tennis with his twins. Goh Chok Tong's wife is a lawyer with Lee Kuan Yew's law firm.

### Leftists Seen Dominating Party Publications

91CM0104B Hong Kong CHAO LIU [TIDE]  
in Chinese No 45, 15 Nov 90 pp 13-15

[Article by Lin Yang (2651 2254): "The Green and Red Gangs Seize Territory"]

[Text] In spite of its recent actions in releasing such democracy movement proponents as the Shanghai writer Huang Ruowang [7806 5387 2598] and Gao Yu [7559 3842], associate editor in chief of Beijing's JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY], the CPC is still reinforcing its hard-line ideological control, with no letup for "freedom of expression."

At present, important party newspapers and publications, including the new political journal ZHENLI DI ZHUIQIU [PURSUIT OF TRUTH] are firmly controlled by the hard-liners. Without exception, these propaganda tools stress "ideological struggle" and the "peaceful evolution" of "international reactionary forces." Practically all the articles attacking liberalism that are carried in these publications are the work of such leftist diehards as Xu Weicheng [1776 1919 6134], Xu Liqun [6079 4539 5028], Liu Baiyu [0491 4101 5038], Lin Mohan [2651 7817 3211], Wu Lengxi [0702 0397], Yao Xueken [1202 7185 1083], Zang Kejia [5661 0344 1367], Li Xifan [2621 6034 0416], Hao Ran [3185 3544], Chen Yong [7115 8673], and Mei Xing [2739 5887]. The "Green Gang" ["Qing Bang"] refers to those who had thrown in their lot with Jiang Qing during the Cultural Revolution, such as Yao Xueken, Li Xifan, and Hao Ran, whereas the "Red Gang" ["Hong Bang"] refers to revolutionary ideologists.

### Xu Liqun In Charge of ZHENLI DI ZHUIQIU

Among the new political periodicals, the one that should be noted the most now is ZHENLI DI ZHUIQIU, whose offices are located on North Shatan Street in Beijing. Since its appearance in July 1990, it has been loudly touting the proletarian struggle, and under the banner of "anti-liberalization," purports to expose and criticize the reformist literati, and the ideas of freedom, democracy, and human rights that they advocate. Beijing intellectuals are saying privately, "The people's voice is no longer heard in the PEOPLE'S DAILY, and truth is not to be found in the PURSUIT OF TRUTH."

This publication is managed by Xu Liqun who is over 70 years old. Before the Cultural Revolution, he was a deputy minister in the CPC Central Committee's Ministry of Propaganda, and before that he was Peng Zhen's political secretary, and was very friendly with Hu Qiaomu and Deng Liqun, both ideological dogmatists. During the time that Hu Yaobang and Zhao Ziyang were in power, Xu was out, but after the 4 June incident, he became active in social science circles, and became an adviser at the Institute of Social Sciences and Philosophy.

ZHENLI DI ZHUIQIU has five chief editors. Besides Xu Liqun are Su Pei [5685 3099], Li Kan [2621 0170], Chen Yong, and Mei Xing. The actual managing editor is assistant chief editor Xu Zheng [1776 1794].

Su Pei had been on the editorial committee of HONGQI [RED FLAG]. As he had a good personal relationship with Xu Liqun, Xu pulled him out to join the excitement. He is the father of Su Xiaokang [5685 2556 1660], a democracy movement activist presently seeking refuge in France (Su Xing [5685 6821], a former editor in chief at HONGQI, is not his father).

Originally, Mei Xing was a deputy chief in the research section of the CPC Central Committee's Secretariat (the chief is Deng Liqun). As for Chen Yong, he was accused of "rightist crimes" in the 1950's, and underwent reform for several years, but during the last decade or so, he has been known for his "extreme leftist" views. He is editor in chief of the leftist WENYI LILUN YU PIPING [THEORY AND CRITICISM OF LITERATURE AND ARTS], which mirrors Yao Wenyuan's [1202 2429 0955] image exactly. Chen Yong and Ho Jingzhi [6320 2417 0037], both students of Zhou Yang [6650 2254] at the Lu Xun School of Arts, have been fully used by him to serve in many capacities. After the gang of four's downfall, Zhou Yang and Xia Xian [1115 5888] became part of the group advocating openness in the CPC, while Chen and Ho remained "old leftists."

Mei Xing is a trusted follower of Deng Liqun. When Deng was chief in the research section of the CPC secretariat, Mei Xing served as his deputy.

Beijing already has many political magazines, and creating another, ZHENLI DI ZHUIQIU, created much dissension within CPC ranks. Peng Zhen, Xu Liqun's "old chief," supported publication vigorously, with Wang Zhen, Hu Qiaomu, and Deng Liqun also supporting it. In recent months, Peng Zhen has been advocating proletarian struggle with vigor, and ZHENLI DI ZHUIQIU has been echoing his tune, loudly proclaiming that "proletarian struggle in a socialist society is objective reality."

After the 4 June incident, Xu Liqun branded his big club to get rid of outstanding intellectuals in the reformist movement. At a meeting of the theory section of the CPC Central Committee's Ministry of Propaganda, he took on Zhao Ziyang, Jin Guantao [6855 6034 3447], Ge Yang [2047 2254], Yen Jiaqi [0917 1367 0366], Li Honglin [2621 3163 2651], and attacked them all in one breath. He used his "rhetorical authority" to make insinuations against Yu Guangyuan [0060 0342 6678] and to attack what he called Yu's "beautiful capitalist society."

The sour-grapes desire for revenge is always prevalent among "activists" in every political movement. In the past, Yu Guangyuan had been a chief in the science section of the CPC Ministry of Propaganda. Later, he became vice chairman of the State Council's Committee on Science and Technology, and served at the same time

with Xu Lique as grade-6 or -7 senior cadres. However, after the downfall of the gang of four, while Xu Lique was not restored to any meaningful position, Yu Guangyuan was in his element, serving first as deputy director, then as adviser, at the Institute of Social Sciences, and as teacher to many outstanding intellectuals in the 1989 democracy movement—figures such as Yen Jiaqi, Zhang Xianyang [1728 7359 2254], Lu Jiamin [0712 0857 3046], and so on. The bitterness felt by Xu Lique has made his “criticism” of Yu Guangyuan extremely emotional.

#### **Xu Weicheng's New Bastion at Beijing's Xihuangcheng**

An extremely leftist periodical, SIXIANG ZHENGZHI GONGZUO YANJIU [RESEARCH IN IDEOLOGICAL-POLITICAL WORK], controlled indirectly by the CPC Central Committee's Ministry of Propaganda is headquartered in the eastern compound of No. 9 Gennan Street in Beijing's Xihuangcheng district.

The Ministry of Propaganda's vice minister of operations, Xu Weicheng, exerts tight control over this publication, which carried a long article by him entitled “Build a Socialist Ethics System With Chinese Characteristics.” [article published in JPRS-CAR-90-086, 21 November 1990, pp. 6-9]

In the past, Xu Weicheng was a follower of Zhang Chunqiao [1728 2504 2890], and served as a deputy editor in chief at JIEFANG RIBAO in Shanghai. Two years before the Cultural Revolution he was serving as an alternate secretary at the Central Secretariat of the Communist Youth League [CYL] with a female colleague, Li Shuzheng. During the Cultural Revolution, all the chief cadres at the CYL central office had to undergo rectification. But Xu Weicheng was fortunate to be working under Wu De [0702 1795], to be in charge of BEIJING RIBAO where he established a “Marshal Huang model” for use by students to attack their teachers. From the early 1980's on, Hu Qili and Li Shuzheng were both elevated to the CPC's successor ranks as grade-3 members. Hu Qili was promoted to Standing Committee member in the CPC Politburo, and Li Shuzheng became a vice minister of foreign liaison at the Ministry of Foreign Affairs. Because Xu Weicheng had a blot of “being on the wrong boat” during the Cultural Revolution, Hu Yaobang, first secretary of the CYL, did not trust him to serve in any important capacity. He was only able to serve as an agency chief at BEIJING RIBAO, later becoming deputy secretary of the Beijing Municipal CPC Committee, a rather insecure position. Since he was not able to realize his political goals, Xu Weicheng too, nurtured sour grape feelings against Hu Qili and others. After the 4 June incident, he had a stroke of luck and became vice minister of operations at the CPC's Ministry of Propaganda, with strong backing from Li Peng and Li Ximing, which gave him the real power to expose and rectify intellectuals. During several talks with insiders in Beijing, Xu Weicheng focused his attacks on

Hu Qili's ideas of flexible Marxism and promotion of reform (Hu is in charge of ideology at the Politburo and Secretariat).

#### **Crimes of Li Zehou Exposed and Severely Criticized by GAOJIAO SHEHUI KEXUE**

Another publication with an extremely “leftist slant” is a bimonthly called GAOJIAO SHEHUI KEXUE [SOCIAL SCIENCES IN HIGHER EDUCATION], sponsored by the CPC State Council's Committee on Education. In charge of this propaganda tool is Ho Dongchang [0149 2639 2490], deputy chairman of the education committee. Following the 4 June incident, he collaborated with Beijing's Li Ximing and Chen Xitong to forcefully suppress students and intellectuals.

This publication is not a true social science journal, but is rather like XUEXI YU PIPAN [STUDY AND CRITIQUE] published in Shanghai during the Cultural Revolution, for it is antiliberal political propaganda directed chiefly toward attacking intellectuals. It carries numerous articles severely critical of views on ideological pluralism, economic privatization, and restoration of individual ownership of property. It also continues to print articles exposing and criticizing Li Zehou [2621 3419 0624] for his “subjective philosophy” and views on enlightened national salvation. The publication further promotes “new-age proletarian struggle,” which is Peng Zhen's rigid old tune.

XINWEN QIANXIAN [FRONTLINE NEWS] is another magazine controlled indirectly by the CPC's Ministry of Propaganda. While it is not as highly inflammatory as GAOJIAO SHEHUI KEXUE in its rhetoric, it is a great “antiliberal” propaganda tool which severely attacks “freedom of the press” in particular. A recent issue printed a piece by RENMIN RIBAO's agency chief Gao Di [7559 3695] (a former vice principal of the CPC Party School), entitled “Special Attention to Speech and Opinion,” which stressed control of ideology and the expression of opinions.

#### **Publications Edited by Chen Yong Singing Yan'an's Old Tune**

The publication WENYI LILUN YU PIPING [THEORY AND CRITICISM OF LITERATURE AND ARTS], of which Chen Yong is editor in chief, is a periodical imbued with a completely Yao Wen Yuan style. Its pages are filled with articles by such leftist diehards as Liu Baiyu, Lin Mohan, Zang Kejia, Yao Zueken, and Ouyang Shan [2962 7122 1472]. Their writings are usually ferociously confrontational, or they contain recycled old ideas. Besides exposing and criticizing democratic faction intellectuals, it advocates the “Yan'an literary style” in particular. An example is Ouyang Shan's novel *The Powerful Senior Cadres* on instructional politics, which echoes the “Seminar on the Yanan Spirit” whose honorary chairman was Peng Zhen, and whose advisers included Xiung Fu [3574 1788], Wu Lengxi, Ho Jingxi, and so on. (Editor's note: For more information on the “Seminar on the Yanan Spirit,”

please refer to this publication's June issue which reported on the "old stiff" using the "Yan'an spirit" to counteract "Su Dongbo.")

**Propaganda Department Journal Instructs Masses**

91CM0204A Beijing ZHONGGUO JIZHE [THE CHINESE JOURNALIST] in Chinese No 47, 15 Nov 90 pp 41-42

[Article by Ren Jiaji (0117 1367 7535): "Answer to the Riddle 'Small Book, Big Magazine'—Further Discussion of the 'BAN YUE TAN Phenomenon'"]

[Text] In China's media, where newspapers and periodicals are as numerous as trees in a forest, BAN YUE TAN [SEMIMONTHLY TALKS], which is only 10 years old, is a puzzling publication.

In the "richly decorated, multicolored" windows and periodical stands of Beijing's post offices, the magazine is hard to find; even if at times one or two copies of it are displayed, they do not easily catch the eye. However, on the top line of the front page of the organ and of the press and publication bulletin of the State Press and Publishing Administration are articles introducing the fascination of BAN YUE TAN. In ZHONGGUO JIZHE, a magazine influential in press circles throughout China, some people in special articles have discussed the "BAN YUE TAN phenomenon." At the Journalism Institute of the Chinese Academy of Social Sciences, there are even people who have made the "BAN YUE TAN phenomenon" the topic for their Master's theses.

In early 1980, when the editorial department of the newly founded BAN YUE TAN was buying the *Ci Hai* dictionary and other reference books, some people predicted that this "newborn baby" would "die prematurely," and they asked the BAN YUE TAN staff members who were buying the books not to forget, when the magazine "died," to give them the *Ci Hai* dictionaries. However, BAN YUE TAN did not die prematurely; on the contrary, its cause is on the ascendant. The original "seven or eight ghost writers" have grown into the present magazine's total of more than 50 staff members in its editorial department, management department, correspondence and liaison department, reader letters department, and office. Spread all over China are its 29 correspondence and liaison posts and more than 400 correspondents. Under its central leadership organization are more than 80 special correspondents as well as 13 distribution and printing centers. The magazine is edited and published in two kinds of editions and three versions, and there is also an annual special issue *Current Affairs Reference Handbook*.

BAN YUE TAN's circulation, which was 290,000 copies in the initial period after it started publication, has now grown to 5.38 million copies. Many people think that this growth only reflects administrative forces in that there are many publicly paid subscriptions, and that the magazine does not suffice to arouse wonder and admiration, and even less does it suffice to be a model.

However, other people feel that what is not understood is that for years after BAN YUE TAN was founded the number of subscriptions to it increased at an average rate of 1 million copies a year. In 1985 the barrier of 5 million copies was broken, after which the circulation held steady at 5 million copies, a figure that has continued to this day. Even when the magazine was pounded by the tide of bourgeois liberalization, which weakened ideological and political work, among the newspapers and periodicals in China as a whole the drop in BAN YUE TAN's subscriptions was fairly small. As for the question of public and private subscriptions, ours is a socialist country, and the party and the government are extremely concerned about, and pay a great deal of attention to, ideological, propaganda, and education work. Under the current circumstances in which wages are low, are there many politically comprehensive newspapers and periodicals that do not have many public subscriptions? A question worthy of discussion is: Why were there large rises and falls, or several rises and falls in the number of subscriptions to many newspapers and periodicals, while the number of subscriptions to BAN YUE TAN grew and never declined?

In appearance the 32-mo BAN YUE TAN is not astonishing. Some people think that it is just a guidance and reference reading material for instructors in middle school political courses and for students preparing to take higher examinations. Considering it not worth reading, these people disdain to do so.

However, the fact is that there is a motive for people to read it. This "small book," which some people do not think is in refined taste, has now become indispensable reading material for the great number of readers in all social strata in China, who call it their "helpful friend" and "adviser." The grassroots propaganda cadres in urban and rural areas make it their blue book for explaining and publicizing current affairs and policies; the masses take it to be their "Daoist classic" for asking cadres about policies that are not being carried out as expected. The contributions to BAN YUE TAN's column "One Hundred Answers on Policies" are often copied and passed along over the tops of walls in urban and rural residential districts; the content of blackboard newspapers in factories, rural areas, and military companies is often a reprint of the contributions to the "Blackboard Newspaper" column in BAN YUE TAN. Wherever there are signs of human habitation in China, there one will find BAN YUE TAN. It not only appears in the worker's shop, at the side of the peasant's kang, and at the tip of the carrying pole of the peddler who goes from village to village and household to household; traces of it are also found on the desk in the office of a central leader, in the study of a college professor, and at the side of the technical drawing of an engineer. Foreign correspondents stationed in Beijing cry out alarm that BAN YUE TAN is "Deng Xiaoping's magazine," that it is one of the three most influential magazines in China.

It is no wonder that an insightful colleague of mine said, "BAN YUE TAN is both a small book and a big magazine."

But the words "small book, big magazine" only sum up the many contradictions in the riddle of the BAN YUE TAN phenomenon, and they cannot reveal the answer to this riddle.

The pioneers who made a "successful beginning" of BAN YUE TAN could count on many experiences in running their publication: the solicitude of the party Central Committee; the leadership of the Central Propaganda Department; the backing of the XINHUA News Agency; the support of party committees at all levels; the ideas of major editorial departments; the exclusive work of correspondents; a writing style that is easily understood, that is short and pithy, and that has a definite object in view; and so on and so forth. Without a doubt these were important, even decisive, experiences.

However, with regard to BAN YUE TAN, which is a publication that possesses distinct features, to make these interpretations the answer to this puzzling phenomenon with its numerous contradictions would be to begrudge the magazine its individuality.

What, then, is the answer to the riddle?

With the understanding I gained from personal experience of 10 years of work at BAN YUE TAN, I think the answer to our riddle is this: Explain current affairs, serve the grassroots cadres.

The inner principle is simple to understand.

With the appearance of high technology the world is becoming smaller and smaller. An event in any corner of the world is not something that is far away and of no concern to oneself. And the world situation is changeable. In China everyone is building socialism with distinctive Chinese features. With the reform and the opening up to the outside world, the mountains and rivers of the motherland and the spiritual features of its people change with each passing day. Consequently, every person in China—worker, peasant, businessman, party member, government official, military man, nationality member, and student—without exception needs to promptly understand all of the principles and policies of the party and the state, as well as the situations at home and abroad.

In today's China, newspapers and periodicals that explain current affairs and policies have become the reading materials with the widest coverage.

Among the readers of newspapers and periodicals, the grassroots cadres and masses of China can be said to be the largest readership in the world. But this huge readership, first, comes from people whose educational level is universally low, and, second, comes from people who are very busy with work or household duties. They do not have enough time each day to read newspapers on a consistent and systematic basis. They are only able, on

and off, to get odd bits of information from the newspaper or radio, information that does not leave an integrated, deep impression on their minds. This situation requires that, in line with the latest spirit of the central authorities, the most recent major events, and the questions on policies about which the masses are universally concerned and for which they demand answers, there be a selection, in a focused and thoughtful way, of some materials. These materials are to be organized and compiled, and simple explanations added to them, so that the cadres and masses at the grassroots do not have to spend much time on them in order to be able to get a fairly integrated and clear understanding of certain important party policies and certain major events at home and abroad in a given period of time.

The publication's content is issues of universal concern to people; the target of the publication's service is the world's largest readership. To unravel the puzzle by making some remarks, these two points are in reality the reason that the Central Propaganda Department in that year asked the XINHUA News Agency to set up BAN YUE TAN and gave the magazine a task that it should consistently fulfill.

For 10 years the comrades of BAN YUE TAN have spent a lot of effort on fulfilling well this unique task. At every editorial meeting before an issue is published, the editors always inquire: What are the grassroots readers thinking about, what do the grassroots readers want to know, and what questions do the grassroots readers want answered? At all times, in all matters, and in all places the editors show that they have a "reader's mind." They conduct interviews at the grassroots and hold informal talks with readers; for special topics they solicit and tabulate the readers' opinions; they conscientiously read and deal with readers' letters; and they regularly hold meetings with correspondents and meetings with special correspondents to find out the true state of affairs and to select good topics. They started "National Affairs and Concerns," "One Hundred Answers on Policies," "Summary of Current Affairs," "Popular Topics of Conversation," "International Current Affairs," "New Approaches in Ideological Work," "Readers' Page," "Blackboard Newspaper," and other columns close to the readers' needs. These columns regularly relay and provide specific explanations of the center's new spirit, give simple answers to questions on principles and policies, and, within a time range and on a given topic, comprehensively explain the major events and major achievements at home and abroad. They also started discussions in the periodical on special topics, such as "Can a commune member buy a car?" and "How to deal with unemployment," that aroused the readers' interest.

On the one hand cultivating, on the other hand harvesting. Just as Comrade Deng Lihou [6772 0500 5028] said several years ago in his congratulatory message on BAN YUE TAN's fifth anniversary: That 5 million subscribers and its readers, who far exceed this number, pass the magazine around for perusal and appraisal

shows that the people give the highest credit to the comrades of its editorial department.

**'Triumph' of Socialism Seen as Long Process**

91CM0228A Shenyang LILUN YU SHIJIAN  
[THEORY AND PRACTICE] in Chinese No 21,  
5 Nov 90 pp 6-7

[Article by Li Lun (2621 0243) in column "Study of Certain Issues in Socialism": "The Replacement of Capitalism by Socialism is a Long-Term, Complex, Tortuous Historical Process"]

[Text] Socialism is bound to replace capitalism, and socialism is sure to be victorious all over the world. This is the great trend in the modern world, and it is also an objective law revealed by Marxism that cannot be changed by people's will. What the direction of the development of history has in common with the process of achieving socialism are issues that are both linked to each other and separated from each other. On the one hand, the development of human society, in the final analysis, cannot be separated from the basic orbit determined by the fundamental contradictions in society, and the victory of socialism and the destruction of capitalism are inevitable. On the other hand, the realization of this law is restricted by certain complex factors, and it cannot be a smooth and short historical process. This is the history of mankind. Therefore, the replacement of capitalism by socialism is bound to be a long-term, complex, and tortuous historical process.

**The nature and the task of the socialist revolution determine that the replacement of capitalism by socialism is bound to be a process of long-term struggle.**

The socialist revolution is a great revolution that is unprecedented in the history of mankind. It not only achieves the rule of the proletariat, but also replaces private ownership of the means of production with public ownership of the means of production and establishes a completely new social relationship and social system. Without the slightest doubt, it is greater and more formidable than any revolution in human history. In the history of the development of human society, the feudal system replaced the slave system after a long process of development. The capitalist relations of production emerged from feudal society and occupied the dominant position in one country and then the whole world after the passage of 500 or 600 years. It should be understood that this social revolution was only an evolution and alteration of the system of private ownership, and that it replaced one form of private ownership with another and one relation of exploitation with another. However, the socialist system fundamentally eliminates private ownership and exploiting classes, thereby eradicating in human society the source of all irrationalities, injustices, and evils. It establishes a new type of social system in which the people are the masters of their own destiny, in which there is public ownership of the means of production, and in which there is distribution

according to work. Its premise is the realization of communism. When expounding the basic conditions for the final victory of socialism and the realization of communism, Marxism once pointed out that for this new society to succeed, on the one hand there had to be a full flow of the wealth of the whole of society and, on the other hand, there had to be an extremely large raising of people's ideological consciousness. Before these two great tasks could be fulfilled, several generations of people had to work hard and struggle. The history of socialist revolution is now only a little more than 70 years, and the socialist revolution has been achieved only in some countries. Also, for certain complex historical reasons, the level of the material base of the countries in which socialism has been established has not yet attained or exceeded the level of that of the developed capitalist countries. Certain socialist countries, including China, are still comparatively backward in economy and in science and technology. Not only is the replacement of capitalism by socialism on a worldwide scale a fairly long historical process, but also for the socialist countries the consolidation and perfection of the socialist system is a long-term task. Therefore, while strengthening our faith in socialism, we must recognize the long-term, arduous, and complex nature of this historical process, and must also keep in mind the fact that we are still in the initial stage of socialism. Proceeding from the demands of objective history at this stage, we must determine our internal and external policies, and consolidate and develop the socialist system.

**The special historical conditions of the socialist system determine that its triumph over capitalism will be a process of long-term, complex struggle.**

In accordance with the ideas of Marxism, socialism will be realized simultaneously in capitalist countries with highly developed production. However, because of the law of disequilibrium in the development of imperialism, there have appeared weak links in the chain of wars that imperialism has waged to carve up the world, and socialism has been achieved in succession in some countries with fairly backward economies. Thus, this factual situation has been created: The initial economic base of almost all socialist countries is very backward compared with that of the developed capitalist countries. This situation, as well as certain socioeconomic phenomena determined by it, of course, cannot illustrate the superiority or inferiority of the socialist system, but certain objectively formed disparities are bound to have a psychological effect. Some people who lack a sense of history feel that a capitalist economy develops faster than a socialist economy, and the bourgeoisie seizes on this feeling and makes a big issue out of it in order to step up the peaceful evolution of the socialist system and the bourgeoisie's spiritual infiltration. As a result, the struggle between the two ideological and social systems of socialism and capitalism is made more complex and more arduous. We know that the socialist system did not cause the economic backwardness of the socialist countries, and that, basically speaking, it was caused by the



history of imperialism's aggression and plunder. Even if, by depending on the socialist system, we have already or will in the end change this backward state, development of the economy and the society requires a process of gradual advance. So long as we have not caught up economically with or overtaken the capitalist countries, it will be very difficult for us to eradicate thoroughly the soil and conditions for the propagation of the ideas of bourgeois liberalization, and it will be very difficult for us to resist the infiltration of the decadent ideas of capitalism. This means that the socialist countries face a serious struggle not only on the economic front but also on the ideological-political front. This struggle will not be changed by people's will, and the struggle will run straight through the historical period of the development of socialism. Only if socialism, not only in the political and cultural aspects, but also in the aspect of the development of the economy and the society, clearly overtakes these aspects in the capitalist countries, and the superiority of the socialist system is fully shown not only in theory but also in practice, will we be able to triumph over capitalism on a worldwide scale. At that time socialism will become the model for all nations of the world, and the day when socialism is triumphant in the whole world will not be far off. Obviously, this will be a great long-term historical process.

**Like any newborn thing, socialism cannot but go through a tortuous process of development. It will be difficult for socialism to avoid reversals and setbacks in its explorations and advances.**

Socialism is a completely new social system in the history of mankind, and the building of socialism is a great cause without parallel in history. Although in theory Marxism sketches the basic outline of socialism for us and provides the guiding principles and direction for building socialism, the only way to turn the theory of socialism into reality is for us to integrate it with China's national condition and to make arduous explorations and creations in practice. In this respect we neither are without a precedent to follow nor lack successful experiences to go by. Since there must be explorations and advances, there will also be successes and faults, and we will both make great achievements and pay a certain price. These two aspects will often accompany and mingle with each other. Particularly in a country that is comparatively backward in its economy and education, it is even more unavoidable that there will exist that drawback or malpractice and that in work will exist this shortcoming or fault. Therefore, we cannot envisage that the path of socialism's development will be perfectly straight, and can only envisage that the advance on this path will be tortuous.

This tortuous advance, like the law that socialism is bound to replace capitalism, is a basic law in the development of human society, and it is also the form in which is realized the law of socialism replacing capitalism. Thus, the historical process in which socialism

replaces capitalism is bound to be full of long-term, fierce, complex struggles, and even reverses and setbacks. In the past 40 years, several faults have appeared in our party's leadership over the building of socialism. These faults have been in two main areas. One is approaching Marxism with a dogmatic, rigid attitude, taking certain ideas of the founder of Marxism about socialism and solidifying them into dogma, and then making them the guide for building socialism. This was the main reason that, in adjusting production relations, we were impatient for results and made impetuous, rapid advances. The other is that the experiences and models of other countries in building socialism were copied mechanically in China's systems and policies and were divorced from China's specific national condition, with the result that a certain amount of damage was done to China's economic construction. The faults in these two aspects already have been or are now being corrected by the decisions of the Third Plenary Session of the 11th CPC Central Committee. It is universally acknowledged that enormous achievements have been made in China's construction and reform in the more than 10 years since this session, and the superiority of socialism has been fully displayed. It should be pointed out that faults similar to those that have occurred in our party have also occurred, to varying degrees, in other socialist countries. Relying on its own and the people's strength, our party has corrected these faults. However, imperialist forces have used these faults in certain socialist countries, and there have appeared distressing political incidents that have dealt a severe setback to the international communist movement. This setback is not a manifestation of historical inevitability, but is a fortuitous event in the long process of history. We must recognize the inevitability of history through its fortuitousness, and also understand, from its inevitability, the tortuous nature of socialism and our own duty. Herein, what is most important is to sum up the experiences and lessons of history, strive to integrate Marxism with China's specific practice, and explore the path to socialism that suits China's national condition. Only by doing this will we have fewer faults, and will the socialist cause more and more flourish and develop.

In brief, we must fully understand the historical inevitability of capitalism's replacement by socialism, and also must fully understand the long-term, complex, and tortuous nature of this historical process. We can neither allow our confidence in socialism to be shaken because of complications and setbacks in the development of socialism, nor relax our vigilance and slacken our will to fight in the face of complex situations and arduous tasks. Under the premise of mastering the basic laws of the development of human society, we must conscientiously sum up the experiences and lessons of the international communist movement and China's socialist construction, and profoundly comprehend and conscientiously implement the party's basic line for the initial stage of socialism, thereby carrying out to the end the great cause of building socialism with distinctive Chinese features.

## NATIONAL AFFAIRS, POLICY

### Regional Economic Ties Develop Among Provinces

91CE0260B Beijing JINGJI CANKAO in Chinese  
5 Dec 90 p 2

[By reporter Li Niangui (2621 1628 6311): "'Bamboo Wall' Harms Others, Hurts Self—'Cooperating Entities' Create Benefits All-Round—Nationwide Lateral Ties Develop Into Networks"]

[Text] Data presented at the first nationwide symposium on regional economic cooperation, which recently concluded at Baoji, indicate: Lateral economic cooperation in China is in the process of developing into true networks. Organization of economically cooperating regional entities of diverse scope, in a variety of patterns, and at different levels is spreading throughout the whole country, and these entities are going to play an important role in having the various regions supplement the needs of each other with what each has in abundance and in the general development of productive forces.

Up to now, there are already 106 regional zones of economic cooperation, set up in different forms, with differing scopes, and each with its own peculiarity. Sixty of these extend over the borders of a single province (autonomous region); 1,630 are business conglomerates, and over 1,000 are various kinds of syndicates set up by seaboard districts and war industry enterprises in the central and western regions.

According to still incomplete statistics, during the five years since 1985, over 500,000 projects of economic and technological cooperation have been contracted for between the various provinces, autonomous regions, and municipalities. In the first half of this year, contracts for 24,000 projects of economic and technological cooperation have been signed. Of these, 41 percent were projects for technological cooperation, and the funds involved amounted to 6.3 billion yuan; the additional output value will be 15.5 billion yuan.

Lateral economic ties have broken down horizontal and lateral barriers and have promoted regional economic development. For example, the economic zone formed by eight cities of Central Liaoning with Shenyang as core has already set up—since its initiation in 1984—over 900 business conglomerates of various kinds and carried out 2,500 projects of economic and technological cooperation, yielding an additional output value of 3.64 billion yuan and creating 550 million yuan in profits/taxes. Beijing Municipality and Baoding, Tangshan, Langfang, Qinhuangdao, Chengde, Zhangjiakou in Hebei Province, and some other places, altogether nine prefectures/cities as well as 102 counties, have formed the Beijing-Circle zone for economic cooperation. On the principle of supplementing other's needs with what is abundantly available in one's own place and of promoting the common development, they are giving impetus to the development of scientific, technological,

economic, and cultural undertakings among the member-regions. The Southwest economic cooperation zone, set up by Sichuan, Guizhou, Yunnan, Guilin, Chongqing, and Chengdu, extending over five provinces and seven localities, has, after a six-year great effort, brought about the present lateral economic linkage, which is backed by the cities and bases on a number of business conglomerates at different levels, with different channels, and in different forms, which now jointly seek a way for the greatest effectiveness to promote the economic upswing in the Southwest. The economic zone involving 12 localities, which is bordering on Shaanxi, Gansu, and Sichuan, is providing smooth channels for circulation within a commodity economy established among the member-regions and is giving impetus to the development of markets for trade between the member-regions, enabling the flow of products of the western region to all corners of the land. They have also recently held a trade fair, and during the five days of the fair, transactions amounted to as much as 1.58 billion yuan.

The somewhat over 150 specialists, scholars, and field workers at the meeting expressed the opinion that it is the present management system, the constraints of outdated concepts and views, inadequate policies, and other such problems that are still restricting factors for in-depth development of regional economic cooperation. They suggest that it is necessary to proceed from the national condition, and to formulate a policy for a more perfect regional economic development. It is further necessary to strengthen and bring into play the functions of the government in efforts for more regional economic cooperation, to deepen the reform of the economic structure, to fully bring into play and strengthen the radiating effect of core cities, and to gradually establish a system of regional cities that will spread the movement for cooperation over an ever wider area.

## PROVINCIAL

### 1990 Hebei Agricultural, Industrial Figures

SK1102125091 Shijiazhuang Hebei Provincial Service  
in Mandarin 2300 GMT 8 Jan 91

[Summary] According to the statistics released by the provincial planning conference, the province reaped a bumper agricultural harvest, and developed its rural economy in a steady manner last year. It is estimated that the province's agricultural output value may reach 37 billion yuan, an increase of about 4.5 percent over the preceding year in terms of comparable standards; its grain output may reach 21.75 billion kg, an increase of more than 1 billion kg over 1989 which saw an all-time record; cotton output may reach approximately 575 million kg, showing a slight increase over the preceding year; the output of oil-bearing crops may exceed 600 million kg, showing an increase of 50 million kg over the preceding year and putting an end to the downturn which lasted for two years in a row; and the output value of township enterprises may reach 53 billion yuan, an increase of 10.4 percent.

The output value of the province's industries at and above the township level reached 77.892 billion yuan in 1990, an increase of 4.4 percent over the preceding year. The 1990 annual industrial output value is expected to increase by 6 percent as planned.

### Heilongjiang Notes Small Commodity Price Hikes

SK0802042591 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 7 Feb 91

[Text] Commodity prices on the province's markets have gone up slightly, and the trend of the people's consumption has been stable. In 1990, the general level of the province's retail prices rose by 4.9 percent, a decline of 9.1 percent from the figure of the previous year, or 2.1 percent lower than the price control quota assigned by the state.

In 1990, there was an ample supply in the province's markets, and most means of production and means of livelihood had their supply exceeded demand. However, the people's consumption of basic daily necessities saw a steady increase. Comparing 1990 with 1989, prices of pork rose by 5.8 percent; beef, 28.2 percent; wine, 12.6 percent; and color television sets, 26.1 percent. Thanks to the agricultural bumper harvest, prices of some staple and nonstaple foods dropped constantly. In 1990, the province readjusted the prices of some 100 products, including coal, timber, grain, sugar, and milk powder. [Sentence indistinct] However, because of the opportune timing of price increases, accurate selection of varieties of needed goods, and the stability in market prices, the people's complaints about price hikes have not been very strong, and the hot issue of commodity prices has not been much talked about by the people.

### Buhe Discusses Inner Mongolia's Status, Prospects

91CE0071A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 217, 16 Oct 90  
pp 20-27

[Article by Li Kuoqiang (2621 0948 1730): "40 Billion Yuan Investment in Inner Mongolia—A Special Interview of Buhe, Chairman of the Inner Mongolia Autonomous Region"]

[Excerpts] Jiang Zemin's eight-day visit to Inner Mongolia signals the beginning of major plans for Inner Mongolia.

*In the years to come, as much as 40 billion yuan in investments will pour into Inner Mongolia. Asia's largest power plant will be built here, and money will go into open-pit coal mine, oil field, railway construction, and the Houhetao River Irrigation Zone projects. Agriculture, animal husbandry, and frontier trade are also flourishing.*

*Recently, Mr. Buhe, chairman of the Inner Mongolia Autonomous Region, accepted KUANG CHIAO CHING'S exclusive interview in Hohhot. [passage omitted]*

### Investment in Key Projects Will Top More Than 30 Billion Yuan Over the Next Five Years

Inner Mongolia is vast in territory and rich in resources. It will soon become an important base for key state investments. Zhou Weide [0719 4850 1795], chairman of the Inner Mongolia Autonomous Regional Planning Commission, and Mr. Dao Erji [6670 3643 6679], vice president of the Economic and Trade Department, told me that as a part of the soon-to-begin Eighth Five-Year Plan, the state will invest more than 30 billion yuan RMB to develop Inner Mongolia's key projects.

Inner Mongolia has a confirmed coal reserve of 200 billion tons, the second richest after Shanxi Province's; the long-range reserve is over 1 trillion tons, much more than Shanxi's. There is enough coal to last several thousand years.

### Its Long-Range Coal Reserve Is Larger Than Shanxi's; It Has 80 Percent of the World's Rare-Earth Reserve

Inner Mongolia has a reserve of more than 100 million tons of rare-earth which the world treasures; it has 80 percent of the world's known reserve and 95 percent of China's reserve. Bayan Obo is the main production area; it not only is the country's but also the world's largest supplier. In the wake of scientific advancement and the development of superconductor technologies, rare-earth has become increasingly useful.

Inner Mongolia is also China's most important animal husbandry and forestry base.

### Soon To Build Asia's Largest Power Plant

Studies are underway to build a 5 million kilowatt power plant, Asia's largest, in Inner Mongolia. When this power plant, known as Dalateqi, is finished, it's installed capacity will exceed the existing largest power plant's, which is in Japan, by 400,000 kilowatts.

Inner Mongolia's frontier trade with the Soviet Union and Mongolia has also attracted much attention. This autonomous region is 1.183 million sq km in area (approximately one-eighth of China's total area.) It stretches across the northeast, north, and northwest and borders on eight provinces (Liaoning, Heilongjiang, Jilin, Hebei, Shanxi, Shaanxi, Gansu, and Ningxia). It shares more than 4,200 kilometers of border with the Soviet Union and Mongolia. It is a region with huge potential and will be developing very rapidly. On the eve of brewing dramatic changes, this reporter made a special trip to Inner Mongolia to conduct an interview. On the morning of 3 September 1990, in a conference room in Inner Mongolia's capital, Hohhot, I was received by Mr. Buhe, chairman of the Inner Mongolia autonomous region. Buhe was getting ready for his trip to the Soviet

Union. At this very busy time, he still took a morning to talk to KUANG CHIAO CHING about Inner Mongolia's major development plans for the future, its frontier trade, nationality relations and religious issues, its relationship with the Soviet Union and Mongolia, and some other issues of interest to the outside world.

#### **Agricultural and Livestock—A Double Bumper Harvest This Year**

First, Buhe cheerfully told this reporter that Inner Mongolia had an unprecedented bumper harvest this year. Grain production is expected to top more than 15 billion jin, which is 2 billion jin, or approximately 1 million-plus tons, more than the historic record set in 1989 (the 1989 grain production was 13.5 billion jin.) The number of livestock on hand is at par with the record high of 47.57 million heads set last year. Everybody in the region is overjoyed. [passage omitted]

#### **Buhe Predicts Inner Mongolia Will Experience Rapid Growth in the Next Few Years**

Buhe told this report that Inner Mongolia which takes up one-eighth of China's total area will experience rapid growth in the near future. It has huge developmental potential.

Buhe said, Inner Mongolia is large in area and rich in resources and has a small population. It has an area of 1.183 million sq km and population of more than 21 million people, less than two persons per square kilometer. The region is rich in surface and underground resources. It is a valuable piece of land that is not yet fully developed.

What is the basis for saying that? Buhe listed the following examples:

With respect to coal, Inner Mongolia has a confirmed reserve of 200 billion tons, accounting for one quarter of the nation's known reserve; it will last for thousands of years. Four of the nation's five open-pit coal mines are in Inner Mongolia. It also has five super-sized coalfields, each with more than 10 billion-ton reserve.

Its rare-earth reserve is the world's largest.

It has crude oil reserve of more than 100 million tons. A million-tons-a-year oil field in Eren Pendi was completed in 1989, and work on a million-tons-a-year oil refinery has begun in Hohhot in July 1990.

Inner Mongolia has ample supply of electricity. The Baotou Steel and Iron and Rare-earth Company is within Inner Mongolia's boundary. Inner Mongolia also has ample nonferrous metals, including gold, copper, lead, zinc, tungsten, and tin.

#### **Inner Mongolia Is Not Barren—The Average Per Capita Arable Land Is 4 Mu, With Half-Mu Water Surface Area**

Inner Mongolia is by no means barren. There are 80 million mu of arable land, 4 mu per capita, which is the highest in China.

Inner Mongolia has 1.32 billion mu of grassland for grazing, the most extensive in the nation. It is one of China's important livestock-raising bases.

Nor is Inner Mongolia lacking in forest land. It has 240 million mu of forests, with 940 million cubic meters of timber reserve, and is China's major forestry base.

Inner Mongolia has more than 12 million mu (equivalent to 800,000 hectares) of water surface area, comparable to Hubei Province which is known as "Province of a Thousand Lakes." The per capita water surface area is half mu.

Inner Mongolia also has many species of rare birds and animals and is rich in agricultural, forestry, livestock, foodstuff, and fishery resources.

#### **The State Is Expending Effort To Develop Inner Mongolia's Energy Resources, Electricity, and Raw Materials**

More importantly, the state intends to develop vigorously the energy, power, and raw materials industries in which Inner Mongolia has a definite edge. Thus, while the coastal cities are being developed, Inner Mongolia has also become a key development target. It is an important logistics base.

Buhe said, Inner Mongolia was indeed backward at one time, but after more than 40 years of hard work, it has established a sound foundation and its economic strength has been greatly enhanced.

In the past, its industry was very backward. In 1947, its output value was a little more than 60 million yuan. By the end of 1989, its GVIO [Gross Value Industrial Output] has topped 15.534 billion yuan RMB, 313 [as published] times that of 1947.

Inner Mongolia's 1989 raw coal production was 124 times the production of 1947.

Power supply has increased 1,181 folds compared to 1947. Not only is there ample electricity for the region itself but there is surplus to supply Beijing, Tianjin, and Tangshan. Fairly complete steel and iron, metallurgical and mechanical, energy, building materials, wool spinning, forestry, chemical, electronics, and foodstuffs industrial systems have been established.

Grain production will top more than 15 billion jin this year. The region basically is self-sufficient in grain.

Inner Mongolia's living standard, healthcare and sanitation, cultural and educational standards have clearly improved. It has shaken off poverty and is on the road to

becoming relatively well-off. In 1989, the average real income of people living in cities and towns was 957 yuan RMB; the average income of peasants and herdsmen was 553.3 yuan, with the herdsmen making 1,038 yuan and peasants earning 477.5 yuan. Some herdsmen earned as much as 80,000-90,000 yuan a year. They own several hundred heads of sheep, cattle, and horses, plus fixed assets worth nearly a million yuan.

Buhe said that Inner Mongolia has made great strides with its living standard and social outlook, especially since reform and opening up a decade ago. Even the president of Chita in the Soviet Union, Mr. Shabarshen [as published] lauded its progress. Shabarshen made a four-day visit to Hohhot and Baotou and was surprised by Hohhot's prosperity. He signed several trade, sports, public health, and cultural exchange agreements while he was there. [passage omitted]

#### **Inner Mongolia's Eighth Five-Year Plan Entails Enormous Investment and Should Attract Much Outside Attention**

For example, work on the 945-kilometer northern railroad line that connects Jining and Tongliao has already begun. It will cost 1.5 billion yuan, and World Bank has extended a \$150 million low-interest loan for the project. This track will be completed in 1993, and when it is open to traffic, it will have a tremendous impact on Inner Mongolia's economy. Even Mongolia is watching the development of this track and hopes to use it to transport its own goods.

Construction of the Jungar Coalfield formally began in July 1990. The coalfield is expected to produce 15 million tons of coal each year. Its high-grade coal is suitable for generating power. Total investment will be worth 4 billion yuan, and the project is expected to be finished in 1993.

The Houhetao River Irrigation Zone project was the first project World Bank lent money to after "June 4." The \$150 million loan has already been allocated, and the project is in progress.

In addition, the new power plant, the Inner Mongolia and the Wuhai Chemical Fertilizer Plants and Oil Refineries, the Jilan Soda Plant, the Baogang double 3 million-ton project (iron and steel), and even the highways and the development of its metallurgy, construction, chemical, electronics industries as well as the Inner Mongolia Library and other educational undertakings are all costly projects.

Probably after next April's People's Congress, development plans for Inner Mongolia for the next few years will be finalized. The idea behind Inner Mongolia's Eighth Five-Year Plan is as follows: It wants to turn its rich resources into tangible economic advantages, and after several years' hard work, it hopes to turn Inner Mongolia into a flourishing and wealthy region. It wants to be self-sufficient in grain, work on its transportation and communication as well as microwave communication

systems, develop light and textile industries, solve its budget problem, and at the same time, it will strive to raise the management and technological standards, deepen reform, and correct enterprises' improper structure and improve their efficiency.

#### **Integrate Practicality and "Unite With the South, Develop the North, and Open Up in Both Directions"**

In terms of developmental strategy, Inner Mongolia has integrated practicality with efforts to "unite with the south, develop the north, and open up in both directions." It wants to entice the southern provinces to open factories here, attract Taiwan, Hong Kong, and other regional investors to invest in Inner Mongolia, and export goods to the north and import goods and technologies from the Soviet Union and Mongolia.

Inner Mongolia shares a 1,000 kilometer-long border with the Soviet Union and more than 3,000 kilometers with Mongolia. To the east, Inner Mongolia is near the coast and is not far from Tianjin, Dalian, and Yingkou and other ports. It is connected with the Soviet Union, Europe, and Siberia by rail. Hohhot is only one hour from Beijing by air. It certainly should try to open up in all directions.

#### **Inner Mongolia Is Setting Up Two Economic Reform Experimental Zones: Hulun Buir and Wuhai**

Approved by the Chinese State Council, Inner Mongolia has set up two economic reform experimental zones. The first one is in Hulun Buir League and is 250,000 square kilometers in area (the size of West Germany). It is where we will find northern China's largest and oldest inland port, Manzhouli. At the peak of Sino-Soviet trade in the 1950's, it handled as much as 3.58 million tons of imports a year. In the last 10 years, Chinese investments have improved port facilities and added a second mechanical transshipment station. Currently, it is capable of handling 4 million tons of imports and exports a year. Hulun Buir League has extensive forest land, grassland, and coal mines and is a rare piece of valuable property. The other experimental zone, Wuhai City, is in western Inner Mongolia and is a coal, industrial, and heavy and chemical industrial raw material base. Wuhai and the northwest region have formed a unified economic cooperation zone. Inner Mongolia will extend preferential treatment in terms of land, tax rates, and enterprise management and so on to attract outside investments and cooperation. Hulun Buir League's economic reform experimental zone will also cooperate with the Soviet Union's Chita Free Trade Zone for mutual aid and benefit.

#### **Close Contact With the Soviet Union and Mongolia in Recent Years**

The fact of the matter is, contacts between the Soviet Union and Mongolia and Inner Mongolia have increased substantially in recent years. Chairman Buhe visited the Soviet Union in mid-September 1990; he also visited Mongolia in 1989 to cement closer bilateral relations. In

April 1990, during his visit to China, P. Ochirbat, chairman of the Presidium of the People's Great Hural (equivalent to president of the PRC), stopped over in Hohhot for two days, and in Hohhot's Color Television Building, he used the city's microwave communications system to communicate with Hulun Buir League in China's most northeastern tip. He was impressed by and was very pleased with Inner Mongolia. He pointed out that Inner Mongolia has a flourishing basic industry and has everything from processing industry to agriculture and foodstuff production, that its market is prosperous and has ample supply of everyday goods while the People's Republic of Mongolia has no iron and steel industry and its mechanical and processing industries are underdeveloped. The two sides are expected to work closely together to supplement each other's needs in the future.

Inner Mongolia and the Soviet Union resumed frontier trade in 1983.

Inner Mongolia and Mongolia resumed frontier trade in 1985.

In recent years, the Inner Mongolia Autonomous Region's frontier trade with the Soviet Union and Mongolia has been growing rapidly. This trend has attracted the attention and piqued the interests of Taiwanese, Hong Kong, Japanese, and foreign entrepreneurs who hope to conduct trade with the Soviet Union and Mongolia and some Eastern European countries through Inner Mongolia.

#### **Rapid Development of Frontier Trade Piques Outsiders' Interests**

Through the end of 1989, Inner Mongolia's frontier trade with the Soviet Union and Mongolia was worth a total of 520 million Swiss francs, of which, 476 million Swiss francs' worth came from the Soviet Union and 43 million from Mongolia.

In 1989 alone, Inner Mongolia's frontier trade with the Soviet Union was worth 180 million Swiss francs, 66 times the 2.73 million earned in 1983

With respect to frontier trade with Mongolia, 1989's imports and exports were worth 17 million Swiss francs, more than 26 times that of the 1985 figure.

Based on incomplete data, Inner Mongolia's imports from the Soviet Union consist primarily of steel materials, lumber, chemical fertilizers, cement, scrap metal, nonferrous metals, automobiles, tractors, livestock-raising machinery and equipment, petroleum, chemical industrial raw materials. They are worth \$230 billion.

Exports to the Soviet Union are made up primarily of grain and foodstuff, textile, light industrial products, and other food and clothing.

Exports to the Soviet Union and Mongolia as a percentage of Inner Mongolia's frontier trade have risen from 15 percent in 1986 to 23 percent in 1989. They

have become a crucial component of the autonomous region's economy and trade and are also an important link in the prosperity of Inner Mongolia's frontier market and the development of its regional economy. On top of its frontier trade, the region also began to develop labor and services exports, project contracting, and economic and technological cooperations in 1988, and by the end of 1989, the region has signed 32 project contracts, worth 120 million Swiss francs. China has shipped out labor, service, technical, and management personnel more than 6,000 person-times, and in return, Inner Mongolia has obtained large quantities of lumber, chemical fertilizer, steel and iron, and steel material and other capital goods and products the market needs. They have given impetus to the export of surplus labor as well as mechanical and electrical goods, construction and decorative materials. In addition, Inner Mongolia also began regional barter trade with Eastern Europe in 1988.

#### **The Frontier Ports**

Today, there are four Inner Mongolian ports that handle frontier trade with the Soviet Union and Mongolia. Besides Manzhouli and Erenhot, the other two are Heishantou and Shiwei Town (Jilalin) in Ergun Right Banner. Erenhot ships in and out more than 4.2 million tons and Manzhouli nearly 5 million tons of goods each year. Heishantou and the other port only handle import and export in transit and are not yet fully-equipped as ports. In 1989, they only handled 160,000 tons of goods in transit. In addition, Inner Mongolia has five other temporary cargo transit points. They are Arihashatu, Jhungegadabuqi, Ganqimaodao, and Ceke across from Mongolia and Hulieyetu, which faces the Soviet Union. In March 1990, China formally opened the highway between Manzhouli and Zabaykal'sk to traffic, and in June 1990, the international passenger and cargo train between Hohhot and Mongolia's capital, Ulan Bator, began a once-a-week scheduled run. Many businessmen from the Mainland Chinese provinces travel to Manzhouli to do business. After two years, there have been two trade talks in which representatives from several inland provinces and their Soviet counterparts have participated.

Whether the bilateral trade will continue to develop in the future will depend on the development inside the Soviet Union, Eastern Europe, and Mongolia. China will start a spot exchange trade with the Soviet Union and Eastern Europe, but the frontier trade is expected to continue its present multi-level, multi-channel, multi-formatted pattern. The potential for this kind of development is good, because both sides have the need and both sides can benefit economically from such trade. Buhe said, the eastern frontier of Mongolia and the Soviet Union is too far from Moscow, which hampers the supply of goods, and the transportation cost is high. In addition, with increasing contacts in recent years, civilian relationship has also become intimate. Both sides hope to promote mutual development and supply each other's needs, and therefore development is in the ascendant, and the potential is limitless.

Buhe said, Inner Mongolia has always handled the nationalities and religious issues fairly. They have not generated much impact or posed serious problems here. Buhe said, in the last several decades, Mongolian and Han ideologies have struck roots in the hearts of both races, and people of all nationalities have lived together in peace and harmony.

#### **Inner Mongolia Looks Forward To More Contact and Trade With Hong Kong and Taiwan**

Finally, Buhe expressed hope in Inner Mongolia's opening up even more to the outside world. Today, the region has 34 joint ventures, but none are large-scale projects. A total of 253 foreign technological projects and facilities, worth \$527 million, have been brought in.

Inner Mongolia's trade with Hong Kong is yet insignificant. So far, it is worth only around HK\$20 million, which trails Japan, the United States, and the Soviet Union. Inner Mongolia's exports to Hong Kong consist mainly of live cattle, licorice roots, facai [dried vegetable] and cashmere. Contact with Taiwan has only just begun, but Buhe hopes that contact will increase and develop in the future.

*Written on 4 September 1990 at 0300 in Baotou City, Inner Mongolia.*

### **FINANCE, BANKING**

#### **Savings Deposits Increase Despite Market Slump**

91CE0227A Beijing JINRONG SHIBAO in Chinese  
13 Dec 90 p 2

[Article by reporter Li Qian (2621 0241): "How Do We Assess the Current Savings Situation?"]

[Text] **Editorial note:** *How do we assess the savings situation? Historically this has been a sensitive question, because it nevertheless is an issue that concerns the formulation of the state's savings policy and in turn affects the national economy and the people's livelihood. It is a question that the benevolent sees benevolence and the wise sees wisdom—different people have different opinions about it. The important thing is, whatever the argument, it must have basis, and whatever the theory, it must be reasonable. We must investigate, study, and analyze, and we must not let our view of the important be overshadowed by the trivial or look at things from a partial standpoint. Extending this principle, it means we need the same serious and scientific attitude in making other economic decisions.*

Recently, "slump" has become the most frequently used word in economic circles. Some comrades feel that the market slump and the loss of purchasing power are due mainly to the banks' vigorous efforts to absorb savings deposits. They suggest taking steps to encourage people to withdraw and spend their money so as to get the market moving again.

What really is going on?

Since last May, the withdrawal of currency from product sales has begun to show negative increase. By August of this year, despite the banks' increase in cash input and repeated lowering the deposit and loan rates, and although the price of some everyday necessities has been readjusted, the market slump has continued unabated. Currency withdrawal from product sales has been slow. Statistics show that between January and September of this year, the cumulative income from the sale of goods has increased only 0.1 percent compared to last year for the same period. Zhang Qingyi [1728 1987 7328], vice president of the Beijing Knit and Cotton Goods Wholesale Company and the Everyday Manufactured Goods Wholesale Market and an old comrade who has been in the wholesale business for several decades, said mournfully that he had never seen days as tough or had as much difficulty selling before.

In sharp contrast to the market slump is the healthy state of savings deposits in banks. Reportedly, by the end of October of this year, savings deposits in the nation's banks and credit cooperatives have reached 680.2 billion yuan. In the first 10 months of this year alone, they have increased 165.5 billion yuan, 55.1 billion yuan more than the increase during the same period last year. Per capita savings top 601 yuan, 27.4 times the 21.9 yuan in 1978.

People who do not want to buy or are not in a hurry to buy things put their money in the bank, and therefore bank savings deposits have been increasing. This no doubt is a reasonable analysis. But experts also suggest that there are other factors that contribute to the increase in savings but which have no direct link to market purchases, and these are also factors we should not overlook.

Everybody knows that since the Third Plenary Session of the 11th Party Central Committee, the living standard has been rising steadily. As income increases, savings naturally increase accordingly. Moreover, this year, social order has been restored and people have calmed down, and naturally there is stability in savings. In contrast, during last year's "June 4" incident, people withdrew 900 million yuan from their savings accounts within one month. There was simply no stability to speak of. Because the public has experienced two rounds of panic buying caused by soaring prices, the current political and economic stability naturally leads many to consider putting money in savings accounts to preserve its value rather than hoard goods against inflation. Survey shows that pension, medical insurance, education funds and other special purpose savings make up an increasingly larger percentage of the current savings deposits. Moreover, most savings are testimonies to the Chinese people's virtues as an industrious and thrifty people and to their willingness to support the country. Supposedly, there are other causes to the surge in savings deposits this year. For example, a number of individual



households have shifted their operating funds temporarily to their savings accounts, and some units have diverted public funds to private accounts, which is against regulations. Moreover, a substantial number of enterprise bonds were issued last year and are maturing this year, and people are putting the principal and interests into their savings accounts. Furthermore, the securities markets are not very well developed, and not many are investing in financial assets, and therefore people have extra cash on hand. All these are important factors in the substantial increase in savings deposits.

In response to the needs of macroeconomic development, the banks lowered their deposit rates twice in one year, lowering the interest rate by an average of 2.57 percent. But they have not slowed the increase in savings deposits. Thus, interest rate is not a strong mechanism behind the increase in savings deposits.

Looking at this from a different perspective, in recent years, the growth of savings deposits in China's towns and villages has played an important role in supporting the nation's economic development. During rectification and improvement in the last two years especially, the increase in savings deposits has been a new source of bank funds. Savings deposits now account for 20 to 50 percent of all loan funds. For every yuan lent by the bank, 5 cents come from the savings deposits. This to a large extent has helped ease the tight money situation and has played a very important role in supporting production development, controlling the issuance of currency, stabilizing the economy, and ensuring financial stability.

Overall, the market slump is a reflection of how the economy is doing as a whole. China is in the midst of a period of rectification and improvement. Production is being cut back; the growth rate has slowed, and the overheated economy is cooling down and going back to normal. Efforts that began last year to control fixed asset investments, consumption funds, institutional purchasing power, and the panic buying resulting from the public's tendency to hoard goods to combat inflation which started a couple of years ago will have an impact on the market. But experts feel that the poor mix of goods, the fact that some products simply are not selling, and the poor quality and high price of some products are the crux of the market slump problem. Thus, it may be one-sided to simply attribute the market slump to the banks' absorbing too much savings deposits. To strengthen the weak market, we must coordinate our actions and seek a comprehensive solution. First, we must readjust the industrial structure and product mix. We must cater to the needs of the consumer market and adjust to the changing consumption mix. At the same time, we must open up all commodities circulation channels, break through regional blockades, and make every effort to enliven the market.

Of course, readjusting the interest rates and limiting savings deposits are also links to improving the market slump. But in view of the current economic situation, we

must be very careful with this approach. Putting aside the question of the unrelenting tight money situation for the moment, memories of the overheated market and the scarcity of savings just a year or two ago are probably still fresh in many people's minds. Even if we want to adopt measures to encourage people to turn their savings into consumption funds, we must do so in a planned and restrained way; otherwise things can get out of hand. "Going too far is just as bad as not going far enough"—this old adage still rings true.

### National Effort Urged To Clear Triangular Debt

91CE0227B Beijing JINRONG SHIBAO in Chinese  
20 Dec 90 p 1

[Article by RENMIN RIBAO reporter Liu Yong (0491 0516) and JINRONG SHIBAO reporter Zhang Jidong (1728 4949 2639): "Rectify Credit Order; Promote Economic Recovery—The State Council's Leading Group on Clearing 'Triangular Debts' Urges Smashing Local Fund Blockades and Continuing Effort To Clear Off Debts"]

[Text] Beijing, 19 Dec, by RENMIN RIBAO reporter Liu Yong and JINRONG SHIBAO reporter Zhang Jidong—This morning, the reporters learned from the office of the State Council's leading group on clearing "triangular debts" that with the concerted effort of the localities and departments this year, great progress has been made to clear the "triangular debts" nationwide. By the end of November, more than 150 billion yuan's worth of the nation's triangular debts have been paid off. This has played a very positive role in easing enterprises' tight money situation, supporting the normal development of production and circulation, and promoting this year's economic recovery. In order to rectify society's credit order, correct enterprises' tendency to pay off one loan with another, and promote further improvement in the national economy, the State Council's leading group on clearing "triangular debts" has recently made the decision that next year, relevant departments of the State Council and people's governments at the provincial, prefectural, and city levels will continue to devote themselves to this endeavor.

This year, various localities and departments have paid close attention to the task of sorting out the "triangular debts." People's governments in Tianjin, Jilin, Shanghai, Hubei, Sichuan, and Gansu have taken the lead to coordinate and organize activities to clear the debts on a grand scale. In the nationwide effort, the debt repayment rates in 12 provinces, prefectures and cities—Xinjiang, Shaanxi, Qinghai, Hubei, Hunan, Xian, Hunan, Chongqing, Shanghai, Guizhou, Sichuan, and Shanxi—have exceeded 40 percent. The national banking system has been active in helping enterprises to sort out their payments in arrears, and governments at all levels and relevant departments are putting in substantial human and financial resources. So far this year, the headquarters of People's Bank of China have made available more than 30 billion yuan in special loan funds plus another



21 billion yuan in regular loan funds to be used toward paying off the triangular debts.

But we still have not touched the deeper conflicts surrounding these "triangular debts." Today, industrial enterprises are still in a tight money situation. Many are paying off old loans and taking out new ones and entering into new debt to pay off old debt, and the phenomenon of local protectionism is fairly rampant. In this round of national debt-clearing, there are still 9 billion yuan's worth of debts left unpaid. For this reason, the State Council's leading group on clearing "triangular debts" has asked the relevant local governments to smash local fund blockades and supervise and urge enterprises to make an effort to pay off their debts and warn them against such practices as "paying others only what they have received," "paying others only after they have been paid" and "paying other less than what they have received." Enterprises that can afford to pay off their debts but are still in arrears may be sued by their creditors under the relevant clauses of the "General Principles of the Civil Law," and the latter can ask the local juridical department or the industrial and commercial departments to supervise and ensure payments. As for the 9 billion yuan's worth of unpaid debts, a five-ten thousandth of a point's penalty will be added to the unpaid balance each day, beginning on the day payments are due as stipulated in the national debt-payment program. The banks are responsible for withholding and transferring the money to the creditor-enterprises. In future debt-clearing efforts, whenever local protectionism is uncovered, upon investigation, all cases should be reported to the higher authorities and should be criticized.

The head of the State Council's leading group on clearing "triangular debts" points out that the task of sorting out the "triangular debts" next year will include continuing efforts to integrate debt clearing with the promotion of industrial and communications productions, integrate debt clearing with the implementation of the state's industrial policy and the readjustment of the industrial structure, integrate debt clearing with the establishment of a sound and complete fund management system, and integrate debt clearing with efforts to enliven the market. Every effort will be made to readjust the commodities exchange order and strengthen the management and supervision of commercial credit. At the same time, practical measures will be taken to plug the holes which have given rise to the "triangular debts" and institutionalize the practice of making enterprises supplement their own current funds.

## INDUSTRY

### Projections for 1991 Materials Market

91CE0181A Beijing ZHONGGUO WUZI BAO  
in Chinese 23 Nov 90 p 2

[Article by Yang Qingwen (2799 1987 2429): "Stable Trend in Slump, Slow Pickup—Analysis of Situation on Materials Market This Winter and Next Spring"]

[Text] **Editor's Note:** *What will be the situation on the materials market this winter and next spring? This is a question of great concern to everyone. At a recent meeting held by the Ministry of Materials to analyze the situation, people from all quarters freely expressed their views and spoke without inhibition. Their views were not completely identical, but there were always grounds for their arguments. Starting today, this newspaper will select representative articles for publication. It is hoped that people of insight will kindly contribute articles, making deeper analyses and studies of the state of the market and the effect of interrelated policies.*

For a year the problem of the market slump has been a puzzle in China's economic development. During this time the state and local governments took measures to start up production, and then to start up circulation as well as consumption, but the results of these measures are unclear. In the first nine months of this year, the turnover of commodity retail trade in China's society was 0.6 percent lower than in the same period of last year, and the total sales in China's materials system was 4.3 percent lower than in that period.

The general view of the situation in the economy and in the materials market this winter and next spring is: in the fourth quarter of this year there will not be a distinct turn for the better in the market slump, and there will still be a trend for stability in it; in the second quarter of next year there will be recovery. However, because its the foundation is fairly weak and the dynamics are not strong, the market will be in a situation in which there is a steady but slow recovery. The basis for this analysis is:

### Changes in Economic Movement Cycle—From Hot to Cold—From Cold to Recovery

Since the beginning of 1975 there have been four selling peaks on China's retail commodity market, namely, in October 1975, September 1980, August 1985, and May 1988. According to a Ministry of Commerce estimate, if no abnormal phenomena occur, the next market selling peak will be around August 1992. In the capital goods market cyclical changes also exist: since the beginning of 1985 there have been two selling peaks, one in the third quarter of 1985 and the other in the third quarter of 1988. Because of the long duration of the retrenchment this time and its intensity, the recovery period, following common practice, should be somewhat longer than that in the previous retrenchment.

### Investment Effects Are Not Yet in a Benign Cycle; Changes in Start-Up Funds—Overstocked Funds

From a look at working capital loans we see that in the first 9 months of this year a total of 27.4 billion yuan were put into industrial enterprises, an increase of 1.27 times compared with that of the same period last year. But the gross output value of industry only grew 3.1 percent. The situation in which loans and output value were clearly out of step caused the rapid transformation of a large amount of start-up funds into overstocked funds for producing finished products. In the first 8

months the stocks of finished products produced by industrial enterprises at the county level and above in China had a value of 184.1 billion yuan, a 21 percent rise over the figure at the beginning of the year. As for fixed assets, in the first 9 months 85.25 billion yuan were invested in capital construction, accounting for 57 percent of the annual plan. Then there is the problem of money not being available for use. If the lag time is calculated at being about half a year, the greater part of the money will be available in the first quarter of next year, but some of the money will miss the construction period and not be available until the second quarter of next year.

#### **Structural Contradictions—Increase in Adjustment Difficulty—Lengthening of Adjustment Time**

The overheating of consumption in the 1980's fueled the large-scale development of the consumer goods industry. At the same time it also caused serious duplication in construction and production in China's consumer goods industry. A similar problem exists, to varying degrees, in electric wire, electric cable, rubber goods, commonly used electromechanical products, and other capital goods. This surplus production capacity of a structural nature not only caused and intensified the market slump; it is also the main reason for the big downslide in economic returns over the past two years. Given the background of a supernormal supply capacity, it is unreasonable to expect to stimulate demand so that it adapts to this abnormal scale of capacity; this simply cannot be done. Under the circumstances in which there is excess capacity of a structural nature, only by developing products with new functions can new demands be met, as well as the demands on the international market. The adjustment of the product mix in imports will then be a most significant macroeconomic adjustment. But what new products with appeal are we to develop? The problem remains that even if there are funds, it is unclear where they should be put, and this problem increases the difficulty of, and extends the time for, the adjustment of the product mix.

#### **The Masses' Psychology for Buying Is Dull—Their Psychology for Consuming Is Gradually Ripening**

The reason for the dullness of the masses' psychology for buying is, first of all, the fact that the price index is much lower than the interest rate on savings deposits. Although the state has twice lowered this interest rate, there is still a distinct trend for the value of a savings deposit to increase incrementally. The second reason is that our "god" is not how much money we have. At the present time about 70 percent of the people use 70 percent of their income on the basic necessities of life, and their capacity for buying things that are not the basic necessities of life is fairly weak. According to a survey of Suzhou City, only 18 percent of the residents' savings deposits are earmarked for the purchase of durable consumer goods, and "reserve-type" savings deposits make up as much as 67.5 percent of the total. Moreover, about 30 percent of the people already possess all the

high-grade products that one would expect them to possess. On the whole, there is nothing for them to buy, and so they use their money mainly for food and drink. Some people who are afraid of revealing how wealthy they are buy on the market large numbers of motor vehicles for their personal use. Therefore, it is difficult for the consumer goods market to promote a pickup in production.

#### **The Stocks of Finished Products Produced by Enterprises Are Rising, and Stocks in China as a Whole Are Rising**

In comparison with the same period last year, in the first 8 months of this year the stocks of 13 finished products produced by enterprises that mainly produce products for unified distribution—except for the stocks of pig iron and sulfuric acid, which fell—rose, among which the stocks of copper, aluminum, lead, tin, caustic soda, and soda ash more than doubled. At the end of September, in China there had been a big rise in the stocks of coal, steel products, and cement, as compared with the figures for the same period last year; although the stocks of timber had fallen, its turnover period remained at a fairly high level for more than 6 months. These excessively large stocks are in reality a "lead reserve," which will play a certain buffer role in the market pickup. Even if at first there is a process of "detumescence" in the rise of consumption, it will not be immediately reflected on the capital goods market.

The slump in the capital goods market has increased the difficulty of managing materials enterprises, but at the same time has provided an opportunity for tempering and readjusting. The materials enterprises must pluck up their courage and confidence in conquering their difficulties, struggle for supremacy, take the initiative to adjust their management strategy, work hard to improve management and administration, and improve economic returns. At the same time we should use the opportune moment of improvement and rectification by vigorously and reliably promoting the reform of the dual-track price system, and by timely adjustment of the interrelated policies for adapting to and starting up markets. In brief, we must make good and ample preparations to greet the arrival of economic growth in the 1990's.

#### **Economic Implications of Textile Industry Decline**

91CE0160A Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 5, 20 Oct 90 pp 55-59

[Article by Guo Xiandeng (6753 0341 4098), Qingdao Municipality Social Sciences Institute: "What the Textile Industry Decline Says About the Issue of Stable Development of the National Economy"]

[Text] China needs stable economic development, but the fluctuations that have occurred in the course of economic development in recent years stand in sharp contrast with the stability we need, disrupting stable economic development. The question of whether we can

achieve long-term, stable economic development is a major focus of research in economic science. This article intends to draw upon the nationwide slump in 1989 in the textile industry in order to analyze and explore some theoretical and practical problems in the stable development of China's national economy.

### **I. The 1989 textile slump was a flare-up of a chronic illness in the national economy.**

After the textile disaster of 1982, relatively serious fluctuations hit the textile industry nationwide once again in 1989, and textile production declined. According to the main report from a national conference of textile department and section chiefs, the total output value of the nation's textile industry grew about 3 percent from the previous year, but statistics also indicated that most of the main financial indices for the state-run textile industry posted negative growth. Total industrial output value (-1.41 percent), profits on sales (-5.15 percent), profit taxes (-5.42 percent), and labor productivity (-1.8 percent) all declined. At the same time, the entire industrial sector underwent relatively serious fluctuations. It had grown by 10.4 percent in the first quarter of 1989 compared with the same period in 1988, but by the fourth quarter growth had declined to 0.7 percent. In October, total industrial output value posted its first negative growth rate in recent years, declining 2.1 percent from the same period of the previous year. At the same time that output growth was declining, economic benefits were falling, finished products were tying up far too many funds, more and more products were losing money, and the total amount of losses was increasing. As purchasing power on the market fell rapidly, a market slump appeared, which had a serious impact upon industrial production. According to statistics from the Ministry of Textiles, production of major textile products in 1989 decreased. Production of grey cloth declined 0.7 percent, production of printed and dyed textiles went down 2.78 percent, production of woolen goods declined 3.89 percent, and the production of silk goods only fulfilled 97.94 percent of the state quota. Production of consumer goods in many other industries declined even farther. The State Statistics Bureau announced that the production of color televisions fell 9.6 percent, production of household washing machines fell 21.1 percent, production of household refrigerators fell 11.3 percent, and the production of high quality aluminum goods for daily use fell 11.7 percent. At the same time that production of consumer goods was falling, production of capital goods was also falling. For example, production of metal cutting and stamping machinery declined 13.8 percent, production of high precision machine tools fell 23.3 percent, production of automobiles fell 11.0 percent, and production of tractors fell 8.3 percent. It must be acknowledged that the decline in production described here is closely linked to the shortage of raw materials, rising prices, insufficient supplies of funds, foreign exchange, and energy, as well as weak market sales. However, analyzing the problem on a deeper level, you can arrive at the following conclusion:

The 1989 textile slump represents a flare-up of a chronic illness in the national economy. I say this for the following reasons:

1. There is an imbalance in total supply and demand in the overall process of production. This is demonstrated most notably by the continued relative strength of demand vis-a-vis supply. The economic fluctuation brought about is the imbalance itself as well as the manifestation of this imbalance. The well known economist Ma Hong [7456 3163] pointed out that "China's economic growth undergoes fluctuations once every five years." A major factor leading to such major turbulence is their intensity. It has been calculated that China's fluctuation coefficient (defined as the difference between annual growth rate and average growth rate over a given period) is 3.8 times higher than Japan's, five times higher than Soviet Union's, 5.7 times higher than that of the United States, 4.4 times higher than Germany's, 6.1 times higher than France's, and 6.1 times higher than England's. One of the factors which causes China's fluctuation coefficient to remain so high is the fact that the gap between supply and demand is relatively large. Statistics indicate that there was a shortfall of 10 percent for cotton in the 1989 plan, and 30 percent of the plan was not fulfilled. The shortage of cotton for old enterprises in China's coastal region reached as high as 40 or 50 percent. There was a shortfall of 17 percent for synthetic fabrics in the plan. It is very clear that the objective existence of an imbalance between supply and demand in the Chinese economy has brought about the existence of a "malignant tumor." Having gone unremoved for a long time, this tumor has become a chronic affliction. Every time it flares up during periods of economic fluctuation, it causes a production slump. The 1989 textile slump served to illustrate how this chronic illness in China's national economy can flare up.

2. The economic structure that was formed within the context of a product economy is no longer suited to our purpose, which is to perfect the commodity economy. However, due to the interference of the momentum of tradition, reform of the economic structure has lagged far behind the pace of development of China's commodity production in the 1980's. This has exacerbated structural deficiencies. Although this problem was recognized long ago and various measures have been adopted, these mutually interactive imbalances have increased the difficulty of structural readjustment, and brought about structural deficiencies in China's national economy which have remained uncured for a long period. This happened because the measures which were taken to deal with the problem were subject to many restrictions. For example, in industrial production there have been no effective means by which to readjust inventories, and the incremental readjustment was also very hard to carry out because the role of the price mechanism has been limited, and financial resources have been scattered. When textiles and other industries expanded rapidly in the overheated atmosphere and

spread out at a low level, conflicts arose due to insufficient supply of raw materials due to the fact that production was not oriented to consumer demand. The chronic illness of China's national economy—structural deficiencies—flared up, and a production slump inevitably occurred in textiles and other industries.

**II. We must root out the guiding philosophy which causes overheated development, and raise the level of market regulation in the commodity economy.**

The establishment of the socialist planned commodity economy has provided a guarantee that China's national economy will avoid the anarchy and the unavoidable cyclic crises which afflict capitalist market economies. However, the practice of socialism in China has shown that cyclic economic fluctuations, disorder, and chaos exist in China. This problem is certainly solvable, though. The key to overcoming this problem lies in rooting out the guiding philosophy which causes overheated development, and in raising the level of market regulation in the planned commodity economy.

China's socialist economic system has been established on a backward material and technological base. Chinese people of all persuasions for more than 100 years have sought to bring wealth and power to the nation. Since the founding of the New China, nations and territories throughout the world have taken advantage of the post-war peace by vigorously developing their economies. In view of these favorable international conditions, and the ever-increasing material and cultural demands of its people, China, with its huge population and backward economy, became overly anxious to achieve spectacular economic progress. This harmful tendency was able to wreak havoc over a long period within the context of China's extreme leftist politics and backward economy, which was in a state of low-level expansion for a long time, and it evolved into a chronic tendency to overheat as well as a guiding philosophy of economic development. The most notable characteristic of this guiding philosophy is that it has always overestimated the possibilities for economic development, set economic development targets too high, and overestimated China's ability to overcome problems and deal with crises. The period from the 1982 textile disaster through the 1989 textile slump was a masterpiece of this guiding philosophy. After the criticism of the "foreign leap forward" in the late 1970's, the state increased the proportion of its investments going to light industries and textiles in order to overcome the irrational "emphasis on heavy industry and neglect of light industry." The textile industry developed rapidly after that point. The share of total national industrial output value accounted for by the textile industry increased from 12.5 percent in 1978 to 16.5 percent in 1981. The number of installed cotton spindles, increased by 21.2 percent between 1978 and 1981, and far exceeded domestic cotton supply. Total cotton imports increased 52.9 percent between 1978 and 1981. With this overheated pace of growth, the unrestricted low-level production of popular goods of dependable quality finally led to the textile disaster of 1982. Then, in

1985, the spindle craze, the woolen craze, the silk craze, the equipment war, the cotton war, and the wool war led to overheated development which caused the textile slump of 1989. One can arrive at the following conclusion: If we do not root out the guiding causing overheated development, the national economy will certainly never achieve sustained, stable, and coordinated development.

We must acknowledge that the chaos and disorder which once occurred in the production and circulation links seriously damaged the functioning of the planned economy. However, this by no means negates the important role of the market mechanism in the planned economic system. During the past ten years, the goal of reform has been to expand the role of the market mechanism in the economy. This goal is correct. However, while we were deepening and broadening the role of the market mechanism in the economy, we failed to establish corresponding systems and methods of macroeconomic regulation and control. We now have more than ten years of experience in large scale development of commodity production. On the basis of this experience, we can now formulate the following overarching theory: if we are to fundamentally root out the guiding philosophy which has led to overheated development, and achieve sustained, stable, and coordinated development of the national economy, we must unite the planned economy with market regulation.

1. Within the context of the socialist planned commodity economy, we must strengthen the scientific nature of the methods of planned management at the same time that we increase the level of market regulation.

In the modern world, even countries which have pure market economies do not rely solely on market regulation. They must also pay attention to increasing the use of planned regulatory methods of macroeconomic regulation and control. A planned nature is an inevitable product of large-scale industrial production by socialized machines. In particular, macroeconomic regulation and control during an era of large-scale industrial production in which information is transmitted rapidly is all the more dependent on an economy that is planned in nature in order to ensure stable and long-term development of the social economy. When the planned economy has been established as the basic economic system of a nation, if economic stability and development are to be promoted, the most important task is to continually strengthen the scientific nature of the methods of planned regulation. China's level of material and technological development has determined that it cannot possibly rely only on planned regulation to guide economic development; China can only implement an economic system which combines a planned economy and market regulation within the context of a planned commodity economy. With the current low level of planned management and rigid methods of planned regulation, if we are to raise the level of market regulation, we must strengthen the scientific nature of planned management. This scientific nature stands in sharp contrast with the

impulsive decision-making behavior of many officials. It is also one of the "silver bullets" that will enable us to get rid of the guiding philosophy that has led to overheated development. There are several concrete points associated with the effort to strengthen the scientific nature of the methods of planned management.

a) Planning and management organs must truly change from materials management and simple management type government agencies into value management and coordination/service-oriented government agencies. They must devote most of their energies to macroeconomic and mesoeconomic regulation and control.

b) We must thoroughly change the management style which is based primarily on the compulsory plan, and establish a new planned method of policymaking, guidance, and management.

c) We must perfect the legislative and oversight work of the National People's Congress (NPC) and its Standing Committee as it relates to development. In particular, economic legislation by the NPC must play a role in guiding macroeconomic planning, regulation, and control.

d) We must use advanced science, technology, and equipment, and we must step up efforts to cultivate medium- and high-level planning and management personnel with a modern outlook.

e) We must establish what we will be able to consider a proper degree of fluctuation in the economy after the system of macroeconomic regulation and control has been put in place. No nation, whether it has a planned economy or a market economy, can fully eliminate cyclic fluctuations in economic development. A scientific target for macroeconomic planning, regulation, and control does not attempt to completely eliminate fluctuations or launch the economy into an unending pattern of growth. The goal, rather, it is to hold economic fluctuations within limits that are tolerable to the economy, and to avoid the losses that result from sharp rates of growth and decline.

2. Raising the level of market regulation is a key element in assuring that socialist commodity production will take place in an orderly and vigorous fashion. If we are to achieve this, we must respect the market regulatory mechanism and fully bring the positive role of market regulation into play throughout the entire process of planned management. In the same manner, as we use the market mechanism in the process of production, we must take it upon ourselves to meld the methods of planned policy-making and management into the market mechanism in order to assure coordinated and stable development of the macroeconomy, mesoeconomy, and microeconomy. With respect to this point, we must acknowledge the guiding role of market regulation within certain defined limits in socialist commodity production. How we go about fully bringing this guiding role into play is one of the keys to raising the level of

market regulation. How we determine the previously mentioned "defined limits" depends on the following three conditions:

The first condition involves the degree to which productive forces are developed, and how capable they are of withstanding market regulation.

The second condition involves the degree to which the current level of development of socialist commodity production has cultivated the people's concept of the national commodity economy, as well as the ability to adapt to market prices.

The third condition is the fact that in the initial stage of socialism, productive forces are not highly developed. In this stage the scientific nature of planned management must be raised at the same time that the scope of market regulation is expanded.

3. Within the context of a socialist planned commodity economy, if we are to raise the level of market regulation, we must respect the law of price. Strengthening macroeconomic regulation and control is completely compatible with the need to handle affairs in accordance with the law of price.

The fact that we are implementing the program of improvement and rectification and working to stabilize prices does not mean that we do not intend to reform the irrational price system. From the standpoint of the need to act in accordance with the law of price, only by completing the reform of the irrational price system will we be able to stabilize prices. The problem now is that, because of the objective existence of an irrational price system, prices which are subject to market regulation (especially prices for which market regulation plays the main guidance role) have been jacked up unscrupulously. This has caused prices to rise and fall wildly, which has caused fluctuations in production. This is not the fault of market regulation; rather, it has been caused by the irrational price system. Of course, there are other factors at work, such as "official speculation." Also, at the same time that we work to reform the irrational price system, we must act in accordance with the principle of "from each according to his ability, to each according to his work" in order to reform the irrational wage system. Only by doing this will we be able to fundamentally eliminate "covert price hikes" and continually raise the people's standard of living at the same time that we assure stable economic development.

4. Within the context of a socialist planned commodity economy, if we are to raise the level of market regulation, we must build and perfect the market structure and system.

If we are to develop the socialist commodity economy, we cannot for one moment do without the labor markets, funds markets, technology markets, foreign exchange regulation markets, or capital goods exchange markets that have been established and developed during the course of reform. These markets are still young and

developing, and there is a lack of coordination between them. Experience has shown that these factors will inevitably cause problems as we work to utilize various methods of market regulation. My purpose in raising these issues is not to negate market regulation, but to promote the development of every type of market and improve the revitalizing role of the market mechanism in the socialist economy by means of perfecting the market structure and system.

**III. In the course of improvement and rectification, we should increase emphasis on deepening reform, and we should promote readjustment of economic structure.**

The main goal of improvement and rectification should be to readjust economic structure and to resolve structural deficiencies. But should we go back during the course of improvement and rectification to the old system, which was established within the context of the product economy? Should we search for a temporary solution to the deficiencies in the economic structure? Or should we increase emphasis on deepening reform, and carry out readjustment in order to establish a new economic structure that is suited to planned commodity production and development? These are two different ways of thinking about this issue. The deficiencies in China's economic structure are basically the result of longstanding systemic problems. China's program of improvement and rectification is now at a critical juncture for economic restructuring. However, our recent study of enterprises indicates that many enterprises are not aware that now is a "golden opportunity" for structural readjustment. On the contrary, they feel that they do not have the ability to readjust product mix, promote rational reorganization of inventories, or utilize technological progress's capacity for improving economic benefits. They feel that they lack the resources. This phenomenon has come about for many reasons. The main reason is that we have taken a narrow view of improvement and rectification, regarding it as mainly an administrative measure. We failed to learn the following key lesson from actual experience in the past when we carried out many readjustments: Using administrative, compulsory methods can only render a few easily seen results on some superficial issues; it is useless in the face of underlying economic problems involving economic structure and systems. The problem is very clear. Only by giving increased emphasis to deepening reform as we carry out improvement and rectification, and only by taking improvement and rectification as the main part of the effort to deepen reforms, can we promote the readjustment of economic structure and promote stable economic development.

1. China's fundamental approach to economic restructuring is based on the idea that "we should carry out industrial restructuring by restructuring the product mix."<sup>1</sup> However, our studies on enterprises indicate that it is always very difficult to proceed forward with economic restructuring when we act in accordance with this approach. This is due to the fact that the process of restructuring touches upon such complex factors as the

objects, means, and goals of restructuring. Furthermore, not all of these factors are favorable. For example, the main products of a significant majority of enterprises with a certain level of specialization are faced with a market slump. In many industries, especially in textiles and clothing, the entire industry is in decline, so there is an extremely narrow margin within industries and enterprises for restructuring the product mix. Furthermore, the effort by industries to readjust product mix in favor of products in high demand inevitably requires corresponding investments, and this creates conflicts because of the universal shortage of funds under the current policy of retrenchment. The current contract system strengthens the status quo, so asset circulation has played an extremely insignificant role in the effort to carry out restructuring. The situation described here tells us that we are flying in the face of reality when we use the aforementioned approach to the issue of restructuring. What should be done? This writer, after studying issue, believes that economic restructuring should be approached in the following manner:

We should put the main emphasis on readjusting inventories, organizing enterprises into a structure resembling that of an enterprise group which produces end products in order to spur the establishment of a new economic structure. When we approach the issue in this manner, we must increase our emphasis upon reform in the midst of efforts to carry out improvement and rectification, and we must introduce a series of reform measures aimed at improving the operating environment of enterprises and spurring enterprises to improve economic benefits. We should acknowledge that China's current effort to readjust product mix can only take readjustment of inventories as the main focus and take incremental investment as the secondary focus. There are two main reasons why the current efforts to readjust inventories have had such insignificant results: 1) The low level of specialization in China's industry, the fact that the tendency to be "small but complete" and "both large and complete" have become ubiquitous foibles, the mentality that "every company must have its own complete system," as well as the "system of ownership by a government department" and "the system of ownership according to region" have made it impossible to fully tap the advantages of the system of ownership by the whole people. 2) The serious problem of short-term behavior has been exacerbated by the current contract responsibility system, which sets up targets that must be met within a given time frame. This has robbed readjustment of inventories of economic power as well as of administrative pressure. Even if strong administrative pressure were present, it would become very weak vis-a-vis concrete issues involving enterprises. In order to improve this situation, we should act in accordance with actual conditions in China by taking several reform measures and administrative actions. We can concentrate on end products and organize enterprises into a structure resembling that of an enterprise group in order to achieve effective and relatively vigorous readjustment of inventories. By acting in this manner, we can spur industrial

restructuring by restructuring product mix, thereby enabling the entire economic structure to adapt itself to the development of the planned commodity economic.

Of course, we do not oppose current efforts by enterprises to restructure product mix in order to deal with the market slump and to adapt to changing market demand. However, if we do not use the aforementioned approach to carry out a thorough readjustment of economic structure, but readjust product mix on the basis of current demand structure, even if we achieve structural equilibrium, this readjusted product mix will immediately come into conflict with a new demand structure as soon as the rate of economic growth rebounds.

2. A fundamental reason why industrial structure is out of balance right now is that price structure is distorted. Because we must consider the impact of price readjustment upon social stability, we are forced to control the price rise index, which has made it difficult to introduce many rational measures of price readjustment; in some cases we have had to delay these measures. However, if we are to resolve these economic imbalances, we must resolve the irrational price structure. For example, relaxation of controls over supply and demand relationships has given rise to an urgent need for accelerated price restructuring. Obviously, if we do not readjust prices it will be extremely difficult to correct excessively low prices in basic industry. Also, failure to readjust prices has hindered normal development of basic industry and it has given rise to serious imbalances in industrial structure which have been caused by blind development on the part of processing industries. As we carry out the program of improvement and rectification, we should introduce price reform measures as quickly as possible at the same time that we readjust wage structure. This problem cannot be put off any longer.

3. Within the context of the policy of retrenchment, we should use reform to create the conditions for economic restructuring. The current policy of retrenchment is correct, but we must pay attention to its degree of strength, and to relaxing controls to a necessary degree. We cannot focus simply on spurring development.

## SMALL-SCALE ENTERPRISES

### Regional Differences in Rural Enterprise Development

91CE0135A Beijing NONGYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY]  
in Chinese No 10, 23 Oct 90 pp 33-36

[Ke Bingsheng (2688 3521 3932), College of Agricultural Economics, Beijing Agricultural University: "Regional Differences in China's Rural Enterprise Development and Their Causes"]

[Tset] I. The Daily Widening Regional Differences This paper focuses on rural industry as part of rural enterprises. This is because first, rural industry is the

major part of rural enterprises. The value of rural industry output accounts for 70 percent of the gross value of rural enterprise output<sup>1</sup>; second, rural industry is the dominant element in rural enterprise, just as industry is dominant in the national economy.

The regional distribution of China's rural industry has a very clear characteristic which is exhibited in almost all norms. In addition, the value of the output of rural industry per capita of rural population and the geographical distribution density of the output of rural industry can serve as basic indicators of the developmental level of a region's rural industry. This is because:

—value of output rural industry per capita of agricultural population = value of output of rural industry/rural population = number persons employed in rural industry/ rural population X value of rural industry output/ number of persons employed in rural industry = employment rate of rural industry X labor productivity rate of rural industry

That is, the value of the output of rural industry per capita of agricultural population reflects overall the degree of employment of the labor force absorbed by rural industry and the productivity of those it employs. These two areas are the two basic targets generally accepted for rural industry development, i.e., the employment target and the income target. Places where the output of rural industry is higher per capita of agricultural people means that the higher the farm labor force absorbed by rural industry, the correspondingly higher the nonagricultural income earned by the rural population.

The implications of the geographical density of the value of output of rural industry is:

—geographical density = value of output of a region's rural industry/ territorial area of the region

This index directly reflects the spatial concentration of rural industry. Regions where the geographical density is higher have a higher degree of development of rural industry.

Statistical materials indicate that the development of China's rural industry is unbalanced: it is highly concentrated in the coastal provinces of Jiangsu and Zhejiang and the municipalities of Beijing, Tianjin, and Shanghai, but very undeveloped in the broad interior regions of the central plain and western China.

This is only a qualitative explanation. We can also make a quantitative comparison. On the basis of the above two indicators we will divide the 30 provinces and regions of China into three large regions on the basis of differences in degree of development:

(1) The coastal developed regions. The value of rural industry output per capita of agricultural population is greater than 500 yuan/person and the geographical density of the value of rural industry output is greater than 150,000 yuan/km<sup>2</sup>. This includes the nine provinces and



municipalities of Shanghai, Tianjin, Beijing, Jiangsu, Zhejiang, Liaoning, Shandong, Guangdong and Hebei. The first five provinces and municipalities are the most developed. The two indices are higher than 1,500 yuan/person and 500,000 yuan/km<sup>2</sup>, respectively.

(2) The central average region. The value of rural industry output per capita of agricultural population is 200-500 yuan/person and the geographical density of rural industry output is 2-15 yuan/km<sup>2</sup>. This includes the 11 provinces of Shanxi, Fujian, Jilin, Hubei, Heilongjiang, Henan, Anhui, Shaanxi, Jiangxi and Sichuan.

(3) Interior backward region. The two indicators are below 150 yuan/person and 10,000 yuan/km<sup>2</sup>. This region includes the 10 provinces and autonomous regions of Ningxia, Gansu, Neimenggu, Guangxi, Xinjiang, Hainan, Yunnan, Guizhou, Qinghai and Xizang.

The relevant quantitative ratios for these three major regions are shown in Table 1. From the table we can see that : (1) the nine provinces and cities of the coastal region which make up only one-tenth of the land area and one-third of the agricultural population account for over 70 percent of the value of China's rural industry output. (2) The coastal region's value of the rural industry output per capita of agricultural population is 5.2 times that the central region and 14.2 times that of

the interior region. (3) The geographical density of the coastal region's value of rural industry output is 8.5 times that of the central region and 167 times that of the interior region. (4) Over 80 percent of China's gross rural industry exports are made by the nine provinces and cities of the coast. The volume of goods exported is an important indicator of the quality of the goods. Thus we can infer that the rural industry of the coastal region is much more developed than the other regions. This is exhibited not only in the quantitative ratios but also is prominently displayed in the qualitative ratios.

If we compare only five provinces and cities with the other regions, the magnitude of the disparities is even greater.

There are even great differences between regions within the more developed provinces and cities. For example, there is an enormous gap between the near suburban counties and remote suburban counties of Beijing Municipality and a clear contrast between northern and southern Jiangsu province. If we examine the developed counties of the developed provinces and cities in isolation, then we make a definite discovery that China's rural industry is very highly concentrated in several sub-regions: the Liaodong peninsula, the Shandong peninsula, the Beijing-Tianjin-Tangshan region, the Shanghai-Nanjing-Hangzhou Changjiang Delta and the Zhujiang Delta.

Table 1—Regional Differences in China's Rural Industry Development Levels

Item		9 Coastal Cities and Provinces		11 Western Provinces	10 Interior Provinces and Regions	Total	9 Coastal Cities and Provinces		11 Western Provinces	10 Interior Provinces and Regions	Total
		9 Provinces and Cities	5 Provinces and Cities				9 Provinces and Cities	5 Provinces and Cities			
		1988					1982				
Area	10,000 km <sup>2</sup>	92.4	24.4	255.6	606.7	960					
	%	10	2.5	27	63	100					
Agricultural Population	100 million persons	2.83	0.98	4.32	1.50	8.64	2.83	0.98	4.17	1.35	8.36
	%	33	11.4	50	17	100	34	11.7	50	16	100
Rural Industrial Output Value	100 million yuan	3320	1905	1180	129	4529	436.5	265.6	187.3	22.2	646
	%	7	42.1	26	3	100	68	41.1	29	3	100
Per Capita Rural Industrial Output	yuan/person	1139	1944	27.3	86	592	154	272	45	16	77
	Ratio	13.2	22.6	3.2	1		9.6	17	2.8	1	



Table 1—Regional Differences in China's Rural Industry Development Levels (Continued)

Item		9 Coastal Cities and Provinces		11 Western Provinces	10 Interior Provinces and Regions	Total	9 Coastal Cities and Provinces		11 Western Provinces	10 Interior Provinces and Regions	Total
		9 Provinces and Cities	5 Provinces and Cities				9 Provinces and Cities	5 Provinces and Cities			
		1988					1982				
Area	10,000 km <sup>2</sup>	92.4	24.4	255.6	606.7	960					
Geographical Density of Rural Output Value	10,000 yuan/km <sup>2</sup>	34.85	78.07	4.62	0.21	4.7	4.72	10.89	0.73	0.04	0.7
	Ratio	166.0	371.8	22.0	1		118.0	298	18.3	1	
Rural Industry Exports	100 million yuan	221.6	137	41.5	5.7	268.7					
	%	83	51	15	2	100					

Source: *Materials on the Agricultural Economy (1949-1983)*, *China Agricultural Yearbook 1989*, 1983, *Rural and Township Enterprise Statistical Materials 1989*, 1978-1985 separately collated.

The above is a static lateral analysis based on the 1988 situation. So what would be the conclusions from an analysis of the dynamic vertical developmental situation? In other words, have there been any reductions or reduction trends in the enormous differences in developmental level between these regions in the past few years? The answer is negative. Not only are these differences not smaller, but they are increasingly larger. In addition, not only are they many times larger in terms of absolute difference, but they are also clearly larger in terms of relative difference. Comparing 1982 and 1988 in the table one can see that: (1) In terms of absolute values, in 1982 the value of rural industry output per capita of agricultural population in the coastal region was 109 yuan/person higher than the central region and 138 yuan/person higher than the western region; in 1988 the difference between the two had increased sharply to 2,140 yuan/person and 3,191 yuan/person, respectively, a more than 20-fold increase. (2) From a relative comparison we can see that the gap also is clearly larger. In 1982, the value of rural industry output per capita of agricultural population in the coastal region was 4.4 times that of the central region and 10.6 times that of the western region; but in 1988 they had grown to 5.2 times and 14.2 times, respectively. The changes in the geographical density of the value of rural industrial production also exhibits a similar situation.

Figure one reflects visually the clear increase in the gap in levels of rural industry development between the regions in the past few years.

Then, what are the ultimate causes of the extremely unbalanced development between these regions? What factors have caused the developmental level and rate of

growth of the rural industry of the coastal region's provinces and cities to be much higher than that of the other regions?

## II. Decisive External Environment

Resource superiority, i.e., being able to obtain materials locally and process locally, is an important factor that some people use to explain and prove the development of China's rural industry. Then, are the resources of the coastal region more abundant than other regions?

The resources within the agricultural and rural systems that can be provided to local rural industry are primarily land (including mineral resources), agricultural products and labor power. The coastal area possesses more in some of these categories and less in others. In general terms they are generally relative to the level of the ratio of agricultural population. No matter what, the coastal area does not possess any resource in a greater ratio than the value of output of any other rural industry. See Table 2.

Comparison of Resources and Value of Rural Industry Output in the Nine Coastal Provinces and Cities

Category	Percent of National Figures
Value of Rural Industry Output	71
Rural Population	35
Rural Labor Force	35
Land Area	10
Cultivated Area	28
Grain Output	34
Edible Oil Output	38
Flax Output	16

**Comparison of Resources and Value of Rural Industry Output in the Nine Coastal Provinces and Cities (Continued)**

Category	Percent of National Figures
Sugar Output	29
Tobacco Output	14
Silkworm Output	60
Tea Output	31
Aquatic Products Output	59
Meat Output	35
Poultry Output	51
Dairy Products Output	29
Woolens Output	20

That the developmental level of the coastal region's rural industry is not because the resources of its local rural system are in abundant supply can be established from its industrial structure. In 1988 in the makeup of the value of industrial output of the rural and village levels, the proportion of the extraction and raw materials industries among heavy industries that relied on the resources of the local rural system was 21 percent in the central region, 30 percent in the western region but only 11 percent in the coastal region. Compared with this, the ratio made up in the light industry sector by the value of industrial output of nonagricultural product raw materials was 14 percent in the central region, 11 percent in the western region but as much as 24 percent in the coastal region<sup>3</sup>. That is, although we cannot completely deny that the resource reserves in the rural system play a role in development of rural industry, the places where rural industry develops is not due to extraordinary abundance of resources which come from the local rural system. Quite the contrary, places where rural industry is more developed, it relies less on resources in the rural

system, and in places where rural industry is lagging, it relies more on resources that come from the local rural system.

In addition, there are also some materials that can explain some problems: in 1987 rural enterprise products won Ministry of Agriculture high quality product prizes. Of this number, 188 were from the coastal region and 24 percent were processed agricultural products such as spirits and tea; 99 were from the central region and 40 percent were processed agricultural products; and only five were from the western continental region and three of them were of the spirits category<sup>4</sup>.

From this we must deduce the following: the decisive factors to account for the fact that the rural industry of the coastal provinces and cities is much more developed than the other regions cannot be sought within the rural system but only outside the rural system.

Analyzing and comparing the statistical materials in Table 3 we can discover:

In regions where the entire economy is more developed, where nonagricultural population density is greater, where the ratio of nonagricultural population in the general population is higher, and where there are more scientific and technical personnel in rural industry, the degree of rural industry development is higher; where it is the reverse, it is lower. These four areas can be reduced to one point, i.e., in more highly urbanized areas, rural industry is more highly developed. That is, the rural industry of the coastal region is more developed because it has a better external environment and has a developed urban economy to depend on. In fact, China's rural regions where rural industry is most developed are also the suburbs and environs of the large- and medium-sized cities, they are closely linked to their neighboring cities in terms of circulation of goods, currency and information and their structures are integrated.

**Differences in the External Environment of Rural Industry Development in the Various Regions**

Region	Density of Gross Value of Industrial Output		Density of Nonagricultural Population		% of Nonagricultural Population in the Total Population	% of Technical Personnel in Rural and Village Level Industry	
	10,000 yuan/km <sup>2</sup>	Ratio	People/km <sup>2</sup>	Ratio		Specialists	Above Middle Level
9 Coastal Provinces and Cities	115	58	97.4	18	24	65	67
5 Other Provinces and Cities	233	117	159.8	30	28	42	35
11 Central Provinces	24	12	39.5	7	19	32	31
10 Interior Provinces and Regions	2	1	5.3	1	15	3	2

Source: China Agricultural Yearbook 1989, China Statistical Yearbook 1989, Rural and Township Enterprise Statistical Materials 1988 adjusted.

**The Revelation Drawn From Regional Differences**

As mentioned above, the great regional differences of China's rural industry are not only static differences but also dynamic differences. We brought to light some laws that restrict the long term development of rural industry and we revealed some points that need attention in relevant macro-development decisionmaking.

First, there are large gaps in development levels of rural industry in different regions of China. This gap is created by the fact that the external economic conditions in the places they are located are entirely different. When discussing and exploring the potential for further development of China's rural industry, if we do not take into account this series of enormous gaps, and do not take into account the external environment that creates these gaps, but associate it with the region or proceed from a certain average number, or even infer a general development situation based on the special situation of the coastal most highly developed regions (the region of urban spread), then we can only draw mistaken judgments and bring about errors in strategic decision making.

Second, the fact that the gap in development level of rural industry in China's coastal and interior provinces is expanding daily means that if this goes on, it will be impossible for the rural population in the central and western interior regions to expect to narrow the income gap with the coastal regions—even relatively. This is because the increase in nonagricultural income is the peasant's main hope for an increase in total income. Wages are about 10 percent of the value of rural industry output and calculated at roughly this ratio, between 1982 and 1988 income supplied by the rural industry of the three developed coastal provinces and cities to each person in the rural areas increased from 27 yuan to 200 yuan, while that of the central and western region undeveloped region increased from only 2-5 yuan to 9-27 yuan.

Third, the fact that the reliance of rural industry in the developed regions on resources from within the rural system is low means that for the vast regions of the central and western interior, for rural industry to secure dramatic progress, it must take the road of intensive technology.

Fourth, the restrictions and demands of intensive technology, changes in the market and a series of other enterprise management conditions mean that rural industry can only develop rapidly in the suburbs and environs of large- and medium-sized cities. This means that in the vast central and western region, without the development of a large number of large, medium and small cities, and without the spur of an urban economy, the development of rural industry will still be extremely limited.

**Footnotes**

1. Ke Bingsheng [2688 3521 3932], "Urbanization and Development of China's Rural Economy," *NONGYE JINGJI WENTI*, 1985, No. 2; "The Debate Articles of Liu Jian [0491 0256] and Yuan Baojian [6678 1405 0494], *NONGYE JINGJI WENTI*, 1985, Nos. 7, 10.
2. *Rural and Township Enterprise Statistical Materials* 1988.
3. *Ibid.*
4. *China Agricultural Yearbook* 1989.

**FOREIGN TRADE, INVESTMENT****Economist Discusses Need To Open Up Entire Economy**

91CE0153A Beijing *CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS]* in Chinese No 10, 11 Oct 90 pp 48-51

[Article by Luo Long (5012 7893), affiliated with the International Trade Research Institute, University of International Business and Economics: "On the Need To Open Up the Entire Economy"]

[Text] One of China's basic national policies is to continue the opening up to the outside world, and already our efforts in this regard have earned us enormous results. However, if we hope, in the 1990's, to make advances in our work to open up to the outside world, then we will have to adopt a broader perspective from which we can realize the opening up of the entire economy.

The domain of foreign economic relations connotes something much broader than merely foreign trade. In the "prefatory remarks" to his famous "Manuscript on Economics: 1857-1858," Karl Marx illustrated the various links in social production and their mutual interrelationships, and then went on to point out that "the international relationships involved in production" should also be studied and that such areas of relationship as "international division of labor," "international exchange," "imports and exports," and "currency exchange rates" should be made special topics of economic study. Today, as we proceed with our foreign economic relations, we cannot afford to overlook these crucial points. In fact, when a national opens up its economy to the outside world, its commodities (tangible and intangible) and its key elements of production (capital, labor, and technology) should be empowered to cut across national boundaries and flow into foreign lands. And, as this flow steadily alters the composition of the key elements of production and the product mix, and as it continually improves its position in the international division of labor and the world economy, it will gradually shape up and adapt itself to modern scientific and technological advances, modern social production, and the operational mechanisms in the world economic

environment. As a result, the national economy will continually develop in a superior, prioritized way. Thus, the heart of opening an economy to the outside world lies in joining together the economic activities of the nation with developments in the world economy and in plunging that nation's economy into the larger pool of modern economic development so that the traditional economy is made to transform itself into a modernized economy. In its elementary form, economic opening to the outside should include import and export trade and the introduction of capital and technology, etc., as well as the flow of other key elements, and in more advanced stages it should include participation in international divisions of labor which eventually leads to internationally distributed production.

Looking at China's current situation, we see that enormous advances have been made in foreign trade, with export amounts rising from a world ranking of 32nd in 1979 to 14th last year and imports going from 24th to 14th. Based on the numbers published by the national bureau of statistics, the average yearly growth of China's foreign trade over the past ten years is nearly double the average yearly growth of the gross national product, and this occurred as the average yearly growth of the gross national product was nearly 10 percent. And the trade openness indicator (namely, the ratio of import and export amounts to the gross national product) reflecting the extent to which the economy is open to foreign trade shows us that the average level of openness to foreign trade in China is greater than in the United States, Brazil, the Soviet Union, and even Japan, and is somewhat higher than other large nations as well (including the oil exporting nations of Indonesia, Mexico, and Nigeria). Also, our degree of openness to foreign trade has grown at an average rate much greater than that of large, low income, developing nations. Generally speaking, the degree of trade openness is inversely proportional to the size of the nation; also, the degree of trade openness rises along with the gross national product, and its rate of increase is inversely proportional to the per capita gross national product. Considering that China has the largest population of any nation in the world, and that we occupy a prominent position among large, low income, developing nations, what I have referred to above shows that China's level of trade openness can no longer be called meager. Also, we have enjoyed many successes from our introduction of such things as capital and technology, and by using our manpower to remedy our deficiencies, we have had our economy spurred on to higher growth.

However, looking at the situation from the standpoint of the increasingly important labor trade, it is apparent that China lags well behind other nations of the world. Our labor trade accounts for less than 4 percent of our total trade, yet other large nations generally have labor trade accounting for about 20 percent of their total trade. India, a nation with a level of economic development similar to China's, has six times more labor trade than we do, and Bangladesh and Mexico have eight or nine

times more. As we can see, China's labor trade is far from developed. Moreover, China participates very little in the international division of labor. Based on our estimates, China's participation in international division of labor is far short of the levels achieved by India ten years ago, whether one looks at inter-departmental or intra-departmental division of labor. And one can imagine how we stack up against economically developed nations. Also, in the areas of direct international investment and foreign economic activity, China is just barely off the ground. China has directly invested something over \$700 million in foreign countries, and this represents less than 0.1 percent of the total direct foreign investment in the world or less than 1 percent of the direct foreign investment made by developing nations. And if we look at China's foreign production, foreign sales, and other foreign economic activities, we see that, when stacked up against the performance of the national economy or the foreign economic activities of other nations, the output is puny. This illustrates the fact that our direct participation in world economic activity is but a drop in the bucket.

According to the calculations in the comprehensive economic openness index (1) that we designed in order to show the extent to which a nation was economically open, China's economy as a whole had achieved a degree of openness by the end of the 1980's that did not measure up to the level India had achieved by the beginning of the 1970's. And the disparity is even greater if we compare China's openness to that of nations with even higher levels of economic development. What this shows is that our economy as a whole is not very well opened up, and I make this conclusion only after doing international comparisons.

From the above analysis we can see that, although foreign trade is one element that goes to make up openness in the whole economy and development in this area can bring about higher degrees of openness in the economy as a whole, if foreign trade is an isolated vehicle and the other areas are idle, then the overall level of openness in the national economy will suffer.

Recently, certain scholars in China have stated that our foreign trade development has gotten too far ahead of development in our economy as a whole, and they point to the following as evidence of this: (1) foreign trade has grown much too fast when compared with overall national economic growth—the average growth rates differ by approximately 100 percent; (2) imports have grown much too fast when compared with exports—the average growth rates differ by about 50 percent; and (3) our foreign trade growth has far outstripped our nation's financial load limits—foreign trade subsidies for 1989 surpassed 30 billion yuan, accounting for 10 percent of the nation's financial expenditures for the year. The scholars note that this causes all areas of the economy to be stretched too thin, the economic and social results from foreign trade drop, efforts to adjust the foreign trade mix are hampered, and to a certain extent, it sets up conflicts with domestic markets and hinders the

healthy development of our own industries. I'll admit that this analysis has some merit. According to a fundamental tenet of Marxist economic theory, production determines circulation. Foreign trade, as one element of circulation, should generally be coordinated with, and adapt itself to, the overall development of the national economy. Otherwise, the concerted development of social reproduction will suffer. However, if we extrapolate from this that China has now gone too far in opening up to the outside world, I believe we would be mistaken.

It is our view that the champions of this "excessiveness theory" have in fact confused overall economic openness with trade openness. Overall economic openness includes trade openness, but goes beyond it to include many other things not denoted by trade openness in the pure sense. Although our foreign trade development exhibits certain areas of overextension when compared to our current levels of development in the economy as a whole, our economy as a whole could be opened up a lot more than it is now. So, during the Eighth Five-Year Plan and throughout the 1990's for that matter, as we work to stabilize the speed of development of our foreign trade and bring it roughly in line with development of the national economy as a whole so that developmental excesses are more moderate (say, as high as 1 or 2 percentage points), we should persist in opening up to the outside world and continue to raise the level of openness in the economy as a whole.

To heighten the openness of our whole economy, we should focus on and execute the following items during the period of the Eighth Five-Year Plan:

1. We should make huge efforts to develop our labor trade, striving to bring it up so that it accounts for about 10 percent of our total trade during the Eighth Five-Year Plan, and working to raise it to the average level of other large nations, namely, about 20 percent of total trade, by the year 2000. To accomplish this, while continuing to develop ordinary labor exports and contracts for civil construction projects, we should also strive hard to develop our high grade labor exports in areas such as enterprise management and production guidance, technology maintenance services, information services, computer software development, medical and health services, and state of the art technology services where international demand is now enormous, developments are rapid, and the potential is huge. China has a massive number of mental workers qualified to do high grade labor, there is a serious problem of idleness here at home, and there would be enormous potential and strength if we developed our exports of this type of labor.

2. We should participate more in the international flow of funds. Based on the scale of our national economy, we absorb far less direct foreign investment than do many other developing nations. If we continue to improve the investment environment and progressively carry out business more in a way that comports with the international norms, then there is much development potential in this regard. Also, we should develop our own direct

foreign investment as soon as possible, investing in those regions where results are high or where a significant effect on our own economic development is to be had, so that we get high returns on our funds. We have only just begun in this regard, and development should continue while we remain mindful of past experiences and lessons.

3. We should actively participate in the international division of labor and progressively join in the international system of production. Basically, our current foreign trade and other foreign economic ties remain directed at satisfying each other's needs and regulating surpluses and deficiencies. We have paid little attention to the rewards that can be reaped through participation in international divisions of labor and internationally distributed production. We ought to make conscious moves in this direction, and by gradually increasing our participation in international divisions of labor, as well as joining more in the international production system, we can improve the allocation of our economic resources, putting limited resources (such as natural resources, human resources, capital resources, technological resources, etc.) to work in the areas of maximum return as determined by the opportunities presented throughout the global economy, and thereby advance the prioritized development of the national economy.

4. We should develop multi-national corporations and take part in the international activities of the large multi-national corporations (such as joining operational forces, taking part in international cartels, etc.), as well as directly participate in international exchanges and an international style of production. We have already taken steps in this regard, and certain enterprises (like the China Chemical Import-Export Corporation and the Capital Steel Corporation) have enjoyed certain successes. We ought to pull together our experiences and promote and coordinate the formation of multi-national corporations from a nationwide standpoint, gradually building a fleet of Chinese multi-nationals with the capacity to go out and do battle in the world. At the same time, we must take care to learn from international experiences and study the keys to success in the international arena, and, as our multi-nations develop, we must become intimate with modern styles of economic activity and organizational models, gradually improving our own mechanisms of economic operations.

5. We must update our understanding of comparative superiorities and heighten the developmental levels in our trade mix and throughout our entire national economy. From a world-wide point of view, as modern science and technology continues to advance and develop by leaps and bounds, and as product mixes rapidly undergo changes, the role of the simple labor force is just not that important, and exports of labor-intensive products continue to account for less and less of total world trade. This objective trend tells us that the nature of the world economic environment is no longer as it was in the 1950's and 1960's when the "four little dragons" of Asia enjoyed their successes. The fact that

others were successful in following a certain road yesterday does not mean that we will enjoy success by following the same road today. In particular, we are such a large nation, and there is no way we could ever rely on "exploiting advantages" to fill in market gaps like other smaller nations have. If we devote our future primarily to labor intensive industry, it will never support us, and it could put us in a terminal condition. Moreover, we cannot rely on even simple labor force alone aided by cheap prices and quantity. The key lies in the quality of the labor and its productivity. We should replace "hand work" with "head work" and develop the intelligence of our 1.1 billion people. This will be our most powerful tool in future world economic competition and will create new arenas into which we can enter.

Also, we must increase our theoretical understanding of what it means to make a wholesale opening of the economy. Traditionally, to measure economic openness to the outside, one compared total import and export trade with the gross national product. This only gave one measure of trade openness to the outside. It could not reflect the foreign trade mix, nor could it show international division of labor, fund flow, labor trade, or foreign economic activities. In fact, it was merely a quantitative indicator of trade openness. As such, it could not give us an exact measure of our economic openness. If we regard economic opening to the outside world solely in terms of expanding import and export trade, then we will have overlooked overall economic openness and our opening to the outside will be restricted to the elementary level of supplying each other's needs and regulating surpluses and deficiencies, the catalytic role of opening to the outside will never be given full play to prioritize the development of the national economy, and the scope of our opening to the outside will be severely limited. So, we will have to strengthen our theoretical study and gradually come up with a scientific and systematic set of openness indicators.

In addition, there is another theoretical question that needs to be studied, namely, the relationship between development of the export-oriented economy and the practice of import substitution. These two things are somewhat different as far as emphasis and specific policy measures are concerned, but still, they cannot be treated as complete opposites, thinking that development of the export-oriented economy alone is consistent with opening up, whereas the various forms of import substitution run counter to opening up. In fact, if we look at it from the standpoint of the broader, more developmental prioritization of the national economy, then not all forms of import substitution are opposed to opening up the economy. At each stage of its development, Japan gave support and protection to the strategic industries of the particular stage, and this did not prevent it from developing its export-oriented economy. No, it actually increased Japan's ability to move out into the world. South Korea had a similar experience. Development of the export-oriented economy, in turn, expanded markets and drew them into international competition with the

result that the development of the strategic industries was given a boost and both Japan and South Korea saw their national economies strengthened. There is no contradiction between this and practicing import substitution. The key here lies in having a scientific industrial policy to guide the nation. Production priorities must be carried out in accordance with what is required at each separate stage in order to improve and hone the national economy. In fact, we have certain competitive strengths and production capacities in some industries. There are international markets in these areas, and if we help guide these exports the prioritized development of our national economy would be given a boost. And, in other industries domestic demand is high. Appropriate inputs and transformations could improve our supply and, ultimately, it could give us a certain international competitiveness. The promotion of import substitution would benefit us in prioritizing the development of our national economy. We are such an enormous nation, and our successful handling of these relationships would have an immense impact. Because our economy is so large, it will not do for us to rely totally on foreign efforts in any one area. However, we must bear in mind that we should only give support and protection for a certain period of time to our scientifically selected industries of strategic importance while at the same time providing full domestic competition. As the domestic enterprises grow, the help and protection should gradually be diminished, and ultimately, the enterprises should be "weaned" and sent directly into international markets to fend off the competition themselves. If we employ this practice of gradual preparation, the overall goal of prioritizing the development of the national economy can be achieved through the concerted use of both the export-oriented economy and import substitution. This policy of giving nationwide priority to different strategic industries at different stages is better than our current policy of giving preferences on a regional basis, it would help us more in opening to the outside world, and it would bring us more success in prioritizing the development of the national economy through opening up to the outside.

In short, we need to understand that it is meaningless to open up to the outside simply for the sake of opening up to the outside. Our fundamental goal in opening up should be to draw in modern economic vitality, improve our allocation of resources, advance our mechanisms of economic operation, heighten our productivity, and promote the prioritized development of our national economy. We cannot separate and pit opening up and our domestic economic development against one another. We must overcome this "stratification" of our foreign economic activities and our domestic economy—the two must be made an organic whole under the united banner of national economic development. Only when our national economic development is plunged in with the development of the modern world economy can we truly see an opening of our economy as a whole. But, if we separate the development of our foreign economic activity from that of our domestic economy, and if the

former is isolated as a lone department, then the ability of outside opening to stimulate prioritization in the development of the national economy will be greatly affected. This is because, if we cut the ties of the domestic economy with development in the modern world economy, then the greater number of opportunities to study advanced technology and management practices that come when we open up to the outside are lost. Domestic enterprises are not made privy to the wealth of information about the world economy, their outlooks are not broadened, and domestic enterprises do not get to go face to face with tough international competition that would bring the mechanisms of competition into our own economy, impelling us to continually upgrade our technology, improve our management, lower our costs, raise our quality, and heighten productivity. Also, we would lose the chance to improve our allocation of resources and our mechanisms of economic operation that opening to the outside would bring us. This isolation of our foreign economic activities would merely succeed in bringing us direct, "hard" results in the form of certain commodities, funds, and technology, etc. We would lose out on the indirect, "softer" results of equal or greater importance, and the compelling effect that outside opening has on prioritizing development of the national economy would not be given full play.

Looking at our current situation, the temporary difficulties we now face in our foreign trade development are due undoubtedly to the influence of an unfortunate international environment on the one hand, but more fundamentally, our difficulties reflect limitations in the strength of our economy as a whole. They show us that our export style of "wringing dry" an already short domestic supply in order to prop up exports and maintain high speed foreign trade growth is simply not sustainable in the long run. This is the true implication of what we have meant when, over the last several years, we have talked of excessive growth in our foreign trade. We need not attach undue importance to downturns in the speed of our foreign trade development. If our foreign trade can grow at the same pace as our national economy or perhaps a bit faster (as high as 1 or 2 percentage points), then things will be fine. We should seize this opportunity to prioritize our trade mix, moving from an emphasis on quantity in our foreign trade to an emphasis on results and boosting our foreign trade development up to a new level. Speaking solely from the standpoint of foreign exchange income, while export quantities may drop, prioritizing our trade mix can still increase our revenues of foreign exchange. Today our foreign trade deals in low grade area, and there is much potential for improvement if we fix our sights on prioritized development of the national economy as a whole. Also, we need to understand that saving foreign exchange is the equivalent of earning it. In this regard, the scientific practice of import substitution can have great significance. Moreover, phase-specific import substitution, determined through the use of scientific industrial policies, would help increase the overall strength of the national economy, and ultimately, it

would help us in further opening up to the outside. At the same time, we must be sure that we open our economy across the board, and while we are stabilizing the rate of development in our foreign trade, we can still be pushing strongly ahead in other areas, promoting prioritized development of the national economy through wholesale economic opening, and taking substantial steps out into the world arena as our national economy grows continually stronger.

#### Footnote

1. See my article entitled "The Measure of a Nation's Economic Openness," published in *ECONOMIC RESEARCH MATERIALS*, Volume 19, 1989.

#### Hebei Increases Exports in 1990

SK0802112391 Shijiazhuang HEBEI RIBAO  
in Chinese 23 Dec 90 p 1

[Summary] Hebei Province has made marked achievements in exports this year. During the January-November period, the province's volume of exported commodities was worth \$1.503 billion, and the province fulfilled the state export assignment one month ahead of schedule. There are more than 1,100 categories of export commodities, and there are more than 120 countries and regions in the world that have trade relations with the province. The categories of main products which can earn over \$10 million in foreign exchange annually has increased from 17 in 1987 to 23 at present.

#### Tianjin Builds More Foreign Trade Warehouses

OW0402113291 Beijing XINHUA in English  
1023 GMT 4 Feb 91

[Text] Tianjin, February 4 (XINHUA)—Tianjin, a leading port city in north China, has built 307 warehouses for foreign trade goods in a bid to expand this sector of its economy.

They cover a total area of 14.72 million square meters and can accommodate 5 million tons of goods at a time. This has doubled the 1985 capacity, a port official said.

Of the warehouses, 53 are bonded, he said, adding that more such warehouses will be built in future.

Loading, unloading, and processing systems have also been set up to service the warehouses.

The city has built 90 railway feeder lines to link the warehouses with the national railway trunk lines to facilitate transportation.

#### Tungsten Sand Price Agreement Suspended

OW1501233591 Beijing XINHUA in English  
1433 GMT 15 Jan 91

[Text] Beijing, January 15 (XINHUA)—China has decided to suspend its agreement to adhere to external

quoted prices of tungsten sand starting from the beginning of this year, a spokesman from the Ministry of Foreign Economic Relations and Trade announced today.

The decision was aimed to protect China's tungsten resources and promote international cooperation in the tungsten business, the spokesman said.

## ECONOMIC ZONES

### Analysis of Shenzhen's Price, Wage Reforms

91CE0177A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese  
No 10, 20 Oct 90 pp 49-54

[Article by Huang Zhanqiang (7806 6363 1730): "Analysis of Shenzhen's Simultaneous Wage and Price Reforms"]

[Text] Shenzhen has gradually straightened out the correlation between wages and prices in the course of economic system reform. A review of this process of reform shows three main stages.

#### 1. Adoption of Open and Hidden Wage Subsidies Simultaneous With the Running of Pilot Projects on Price Reform Prior to 1983

Price reform is a piece of systems engineering with strong policy overtones that touches on a wide area, and is extremely complex. It requires a workable overall plan and clear-cut objectives, and it has to be carried out under leadership in an organized, planned, step-by-step way. Riding the crests, joining in the crazes of the moment, lack of concern for local circumstances, failing to appreciate the psychological tolerance of society and the economic tolerance of the state, enterprises, and individuals, and taking an attitude of I will reform the way others reform, or rushing headlong into precipitous action are to be avoided. Shenzhen's methods in pushing ahead with reform, sequentially and gradually, removing restrictions step by step, and reforming in stages gradually reduced the different kinds of plan prices and expanded the degree of market regulation. A preliminary summarization of experiences in pilot project reform may be capsulized as "controlling the large and removing restrictions on the small, removing restrictions on many things and controlling a small number of things, diverse forms, light flexibility, relative stability, and good control with the adoption of flexible measures." These principles served both as a guiding thought and a goal in reform, and were the methods, steps, and objective requirements of reform. The specific way in which reform was conducted was as follows:

1. Delegation of Price Authority. In order to ensure smooth performance of pilot project reform, the fruit and vegetable, aquatic products, and food industries, in which conflicts between supply and demand are relatively intense, were selected as the key areas for reform. The broad masses of consumers held eager expectations for reform of these commodities that everyone needed

and used every day. At the same time, government felt that since the supply of fixed rations of these commodities against coupons could not be assured, even if pilot project reform results were less than ideal, that would be no large obstacle, nor would the political damage be very great. In the fruit and vegetable business, "vegetable prices were controlled but fruit prices were liberalized," fruits being removed from price restraints while prices of vegetables were controlled. In the vegetable business, prices of fresh vegetables were controlled while prices of dried vegetables were liberalized, "fresh vegetables remaining under price control while dry vegetables were removed from controls." In the fresh vegetable business, prices of ordinary vegetables were controlled while prices of premium vegetables were relaxed. Prices of popular selling vegetables were kept in check, while prices of premium quality vegetables were removed from restraints. In the ordinary vegetable business, price margins were liberalized, but the number of varieties controlled was reduced. In 1980, prices of 72 varieties were controlled. The number was 27 in 1981, 18 in 1982, and 10 in 1983. In the aquatic products business, prices of marine products were controlled while prices of sundry freshwater fish and pond fish were liberalized. Among marine products, prices of fresh varieties were controlled while prices of dried varieties were liberalized; prices of frozen fresh fish were controlled while prices of salted fish and dried fish were liberalized. Among frozen fresh marine fish, prices of top and medium grades of premium fish were controlled, while prices of sundry fish were liberalized. Prices of foodstuffs were also handled according to these same principles.

2. Expansion of Price Differentials. In the expansion of various price differentials, special attention was given the expansion of seasonal price differentials. Prices were used as a means of stimulating the production of out-of-season varieties. Prices were used to support experiments and the spread of new varieties for an effective reversal of the situation of a single price or exceedingly little differences in prices between off seasons and peak seasons, and during lean crop and bumper crop years. The price differential for quality was also substantially widened. Prices were used to encourage the production of premium products, which the consumers welcomed, and prices guided producers toward making technical innovations. Further implementation of the principle of setting prices according to quality fundamentally changed the situation of inability to sell premium quality for a good price while inferior goods frequently brought a good price.

3. Raising of Procurement Prices. One difficulty encountered in raising procurement prices was that in regulations regarding the assignment of price authority, local governments did not have examination and control authority for even the most trifling commodities. Consequently, how could the interest of local governments and enterprises be aroused. Faced with this situation, some flexible methods were adopted after gaining the approval of leaders in the provincial price bureau.



4. Letting Prices Float. Following approval from the Market Price Bureau, prices of some commodities and fees for some services were permitted to float a certain amount from the plan price base figure. Depending on the commodity, only an upward float but no downward float was permitted; only a downward float but no upward float was permitted; or both an upward and a downward float was permitted. Maximum prices were set for local construction materials such as gravel and stone. These methods provoked controversy among theoreticians at the time, and carried a certain amount of risk.

Following the aforementioned reforms, prices began to come alive. Markets gradually became vigorous, and prices showed a rising trend. This, plus the gradual increase in large scale construction, brought a construction force numbering more than 100,000 to work sites, which caused a sharp conflict between supply and demand for food. "The very great shortage of the major means of production such as iron, steel, and cement caused prices to rise steadily. In order to ensure the regular standard living of the masses and to calm the feelings of the large labor force, leaders of the Shenzhen CPC Committee and municipal government actively sought means to deal with the situation.

How could wage reforms be carried out at this time?

As long ago as 1980, Shenzhen had begun pilot projects on wage reform in some trades with the goal of smashing "iron rice bowl" sincecures and halting the "eating out of a large common pot," linking staff member and worker wages to results gained from the work of the enterprise and individual labor contribution. First, the municipal government secretary led a group in the operation of pilot projects at the Friendship Restaurant and the Bamboo Grove Guesthouse. After gaining experience, the pilot projects were gradually spread to other trades. For example, the construction trade instituted contract and piecework wage systems; sole proprietorships and joint ventures instituted contract labor systems, floating wage systems, and piecework systems. State-owned industrial and commercial enterprises instituted a system of responsibility for positions and functions, a floating wage system, and a completely floating wage system. Preliminary reforms sparked the development of production for a marked rise in economic returns, and a concomitant rise in the wages of staff members and workers. Enterprise staff member and worker wages (including bonuses and subsidies) increased from 47 yuan in 1979 to 180 yuan in 1983. However, wages of cadres, staff members, and workers in administrative organizations and public agencies were still only 64.03 yuan by 1983 despite an increase in wage grades from seven to 10, and despite two wage readjustments. This was far below wages in enterprises.

As a result of the pilot project price reforms, the state took the initiative at this time in raising the prices of some too low commodity prices. The price level rose substantially. Comparison of the retail price index with

the previous year showed a 17.1 percent rise in 1979, a 13.65 percent rise in 1980, an 11.8 percent rise in 1981, and a 7.89 percent rise in 1982. The foregoing data show a rise in prices that was markedly higher than the rise in wages, which had a direct impact on the standard of living of staff members, workers, and cadres. However, our guiding thought in carrying out reform was the need to assure no decrease in the real standard of living of the masses during price reform. Under these circumstances, allowances and subsidies were issued as temporary measures. Subsidies were of two kinds. One was a direct subsidy, i.e., an open subsidy. The second was an indirect subsidy, i.e., a hidden subsidy. In 1982, the monthly per capita basic wage of staff members, workers, and cadres in the city was 58.20 yuan, plus a bonus of 30 yuan, and various direct subsidies (for water, electricity and transportation) of 34.40 yuan. Virtually all of these subsidies were for the purpose of making up for price increases. With the continued rise in prices after 1983, both the number of subsidies and the amount of each increased. According to statistics for July 1984, staff member and worker wages in Shenzhen averaged 65 yuan per capita. In addition were eight different subsidies amounting to 102 yuan (not counting bonuses), the subsidies amounting to 1.57 times the basic wage. The foregoing applies to uniformly set subsidies for staff members, workers and cadres in municipal administrative agency units. In addition, the number of subsidies in industrial and commercial enterprises were even more numerous, and the amounts somewhat greater as well. In joint venture enterprises, the amount was even greater.

The above covers open subsidies issued along with wages. In addition, there were hidden subsidies. In order to maintain the standard of living of staff members and workers, the state did not raise prices to consumers after increasing procurement prices; thus, the state directly subsidized producing units. Although this hidden subsidy did not show up in staff member and worker wages, staff members and workers benefitted no less. In 1982, such indirect subsidies to staff members and workers applied to six items including vegetables, grain and edible oil, medical treatment at public expense, welfare payments, coal (but not coal gas), and uniform medical treatment. They amounted to 6.57 yuan per person. Statistics for July 1984 show hidden subsidies of 32.60 yuan per month per person for five commodities alone, namely grain, edible oil, pork, vegetables, and coal.

It must be realized that both open and hidden subsidies were temporary measures adapted under specific historical conditions to ensure the regular standard of living of the people. The fundamental reason for them was the disjunction between prices and wages. They resulted from failure to iron out the relationship between prices and wages. The future course lies not in increasing the number of subsidies or increasing the amounts paid, but in creating conditions for gradually straightening out the relationship between the two, and then going on to straighten out economic relationships to advance the development of social productivity.

## II. Simultaneous Reform of Prices and Wages Beginning in 1984

On 1 June 1984, Shenzhen instituted reform of the wage system, and on 1 November of the same year, it abolished the procurement and sale price inversion for agricultural by-products. Except for house rents and medical treatment, it preliminarily straightened out the historical legacy of price problems. The simultaneous reform of both prices and wages not only changed the low wages and high subsidies that prevailed since liberation, but directly linked wages and prices. This was an advance for economic reform as a whole, and it also marked a new beginning in the history of prices in China.

The wage reform plan for administrative and public agencies in Shenzhen City was drawn up with specific guidance from the provincial labor personnel department and the labor bureau. Following formal Guangdong provincial government approval, it became effective on 1 August 1984. A fundamental point in this plan was to carry out wage adjustments (to solve the problem of linkage to prices), and wage reform (straightening out wages to solve problems of egalitarianism) simultaneously. A structural wage form was adopted for wage system reform, which people generally termed the "wage breakdown system."

The post-reform wage system broke down all wages into a basic wage, pay according to position, and pay according to seniority. 1) The basic wage was also termed a basic living allowance, each staff member and worker receiving an identical amount. This was used mostly to provide for the basic living expenses of the staff member or worker and his or her family. The actual living allowance for Shenzhen in December 1983, irrespective of position or differences in kinds of work performed, was 48 yuan per staff member and worker per month, plus a 1.56 support coefficient set on the basis of a survey at the time for a monthly basic living allowance of 75 yuan per month, which was 43.19 percent of total wages. 2) Pay according to position. This is a wage set on the basis of different functions, different job title, and different position. There are a total of 14 different grades. The wage is 75 yuan for the lowest grade, and 320 yuan for the highest grade, the ratio between lowest and highest being 1:4.27. Pay according to position rises with changes in individual work performance. This wage accounts for 50.90 percent of total wages. 3) Pay according to seniority. This wage is paid on the basis of number of years worked, 1 yuan per month being added for each year of service, the first payment being made after working a full 5 years and the maximum not to exceed 40 yuan. At that time, the average number of years service of staff members and workers in Shenzhen was 10.5; thus the average per capita service wage was 10.50 yuan, or 6 percent of total wages. In addition, there was the bonus issue. If the economic situation for the city as a whole was good, and government revenues for the year were good, a year-end bonus of no more than one month's total wage could be issued. The reports that subsequently circulated elsewhere that Shenzhen officers received a double salary at the end of the year may have stemmed from the issuance of a December bonus. See Tables 1, 2, and 3 for post-reform wage standards.

**Table 1. Functional Wage Standards for Government Organizations and Agencies (Units: Yuan)**

Function	Wage	Function	Wage
Mayor	320	Deputy District Section Chief	125
Assistant Mayor	290	Section Member (1)	115
Chairman, Department CPC Committee Office	260	Section Member (2)	105
Bureau Director, Assistant Bureau Director	235	Section Member (3)	95
Deputy Bureau Director, Office Director	210	Office Member (1)	95
Deputy Office Director	185	Office Member (2)	75
District, County Section Chief	165	Probationary Member (Full wage)	130
Deputy County Section, or Full District Section Head	145	Probationary Member (Full wage)	130

**Table 2. Position Wage Grades for Workers in Government Organizations and Agencies (Units: Yuan)**

Grade	Position Wage (1)	Position Wage (2)
8	170	155
7	150	135
6	135	120
5	120	105
4	105	90
3	90	80
2	80	70
Grade 1. (For trainees probationary use) Full wage when proficient	130	130

Note: Position wage scale (1) used for technical worker and for strenuous or special work; position wage scale (2) used for ordinary work

**Table 3. Wage Grades According to Title in Government Organizations and Agencies (Units: Yuan)**

Title	Monthly Wage
Senior Engineer—Professor	340, 325, 295
Senior Engineer—Associate Professor	270, 245, 220
Lecturer, Economist, Accountant, Engineer, Correspondent, Editor	195, 175, 155
Assistant Professor	145
Assistant Engineer	130
Assistant Economist—Accountant	115
Assistant Correspondent—Editor	95
Technical Personnel	85
Technical Personnel	75

In the course of wage reform, corresponding regulations were also made for problems that might possibly have a bearing. (1) Advisors, touring inspectors, and investigation and study personnel were paid according to the new

wage standards for the functional position to which they were assigned. (2) Separated cadres received the new wage for the position from which they retired. (3) Retired staff members and workers received a basic uniform wage plus a seniority wage. The base figure was used only for the functional position wage portion. Retirement pay was figured by multiplying the base figure previous discounted rate. (4) The wage breakdown system did not apply to newly assigned probationary personnel and personnel below grade 1. They were all paid a 130 yuan total wage. Once they had served their probationary period, they were blanketed into the wage breakdown system. (5) Specific regulations regarding pay and benefits applied to secondary technical school graduates and graduates from institutions of higher education during their trial period and after their conversion to regular status. (6) Parent organizations had to be asked to decide whether this reform plan should apply to personnel from elsewhere assigned to Shenzhen organizations.

Determination of the new total wage level was of crucial importance. Furthermore, relations with nearby organizations had to be handled properly in accordance with national plans and policies, and on the principle of concurrent concern for the interests of the state, enterprises, and individual insofar as the state's financial capabilities permitted. The overall wage level was set higher than in inland China and lower than in Hong Kong. Attention was given to maintenance of the advantages the special economic zone enjoyed in providing cheap labor (and naturally cheap land as well) in order to increase its attractiveness to foreign businessmen for investment and the operation of enterprises.

More specifically, Shenzhen's wage levels were based on the following five factors: (1) The 1983 standard wage (64.03 yuan); (2) allowances and bonuses, i.e., open subsidies (72.97 yuan); (3) living allowances, i.e., hidden subsidies (32.50 yuan, including price subsidies for grain and edible oil, vegetables, pork, and coal); (4) the 1983 price index increase over 1982 (2.1 percent) requiring an additional price subsidy of 3.50 yuan; and (5) the increase in wage level required by wage reform (a 10 percent increase in wages according to policy regulations for an average increase of 16 yuan per person). In designing the structure of the new wage level, three of the five elements were price elements. One can see from this the importance of the correlation between prices and wages.

Shenzhen's experiences further attest that price reforms cannot be made in isolation. Only when price factors are figured into wages, when hidden subsidies become open subsidies, and when allowances under multiple names are figured into the standard wage can the low wage - high subsidy situation be closed out. Shenzhen's reforms were also of major importance from a theoretical standpoint, and they were also goals that the country has long wanted to realize in economic system reform.

Shenzhen's success in carrying out price and wage reforms at the same time hold important significance: (1) They straightened out wages, and preliminarily overcame the egalitarianism of various subsidies, further expressing the socialist principal of distribution according to labor. (2) They straightened out prices, thereby enabling an increase in sale prices of the five main necessities of daily life, and they fairly well solved the procurement and sale price inversion problem, enabling prices to reflect the objective requirements of the laws of value. (3) They straightened out government finances, rather thoroughly eliminating price subsidies, thereby freeing the treasury of a heavy burden. This enabled all the individual production, supply, and marketing links to operate in accordance with objective economic laws for a fundamental reversal of the situation of "sadness in the treasury when there is a bumper harvest."

### III. Post-1987 Continued Improvement of Price Reform and Revision of the Wage System

Following the 1984 simultaneous price and wage reforms, price reform shifted into the summarization and perfection stage. As a result of the preliminary straightening out of price relationships, substantial changes took place in the Shenzhen retail price index during the following three years. In 1985, it rose 23.2 percent; in 1986, 6 percent; and in 1987, 15.3 percent. Following the price rises, for various reasons, wages were not adjusted in a timely fashion in accordance with the principles set forth in the reform plan. As a result, new contradictions occurred in relationships that had been basically ironed out. Wage reforms brought improvement in the standard of living of staff members and workers. This was a given. However, by comparison with the winter of 1984, the standard of living declined in various degrees during the initial period of reform. This was particularly the case for staff members and workers who made low wages and who carried fairly heavy family burdens.

In order to consolidate results during the previous stage of reform and further perfect the wage system, Shenzhen began to revise the wage reform plan in June 1987. The key points of this revision were as follows:

1. Elimination of the "basic wage," merging the 75 yuan basic wage into the functional wage, meaning a merger of the basic wage with the functional wage to be known collectively as the functional wage.
2. The seniority wage was renamed the work years subsidy. The standard for this subsidy remained unchanged from the former seniority wage, the maximum subsidy being 40 yuan.
3. The former wage standard of only a single grade for a single function was changed to multiple wage grades for a single function. For example, formerly a single grade applied to section personnel in charge and section chiefs.

Now there were eight grades. Another example was the single grade for office director, which was now revised to eight grades.

After three years observation, it was generally acknowledged that the revised plan was superior to the original reform plan. It had the following features:

1. The former single wage standard for a function was changed to multiple grade wage standards for a function in accordance with the principle of distributions according to labor. Though functions may be the same, contributions made are not necessarily the same. Although duties may be the same, in real life there are different levels of knowledge and different degrees of expertise, and there may be very great differences in work attitude and work quality. A single wage grade for the same function contained, to a certain extent, a new element of egalitarianism following reform.

2. Moderate increase in the wage level of ordinary workers helped stir the enthusiasm for labor of staff members and workers. At the same time, it increased the wage standard grades for working personnel for a preliminary overcoming of the tendency toward many people being "senior," and few being "junior." In the original reform plan, there were only three grades for section members in administrative organizations. A grade 1 section member made 185 yuan as a functional wage plus basic wage; a grade 2 section member made 170 yuan; and a grade 3 section member made 160 yuan. The system has now been revised to 13 grades, the highest of which pays 200 yuan, and the lowest of which pays 160 yuan. A section members's wages may be more than a deputy section's chief's wage. One can make a greater wage without being "senior." This helps encourage people to advance and to work hard.

3. Middle and primary school teachers in public agencies, and nurses in medical treatment units received an additional subsidy for years worked as a teacher or a nurse. All who had served five years but fewer than 10 years received an additional 5 yuan per month subsidy. Those who had worked 10 years but less than 15 received an additional 7 yuan monthly; those that had worked 15 years but less than 20 years received an additional 10 yuan monthly; and those who had worked 20 years or more received an additional 15 yuan per month.

4. After increasing wage grades for different titles, wages were readjusted every so often. If one worked hard and made a contribution to society, he or she could receive a wage grade promotion and receive increased remuneration.

Generally speaking, the revised plan had numerous benefits. It was a great advance over the original reform plan. Nevertheless, it was not entirely without flaws. It was still unsatisfactory in some respects. Examples are as follows:

1. The difference between the highest grade wage and the lowest grade wage was three times in administrative

organs and 2.3 times in public agencies, which seemed to be somewhat too little. Some deputy bureau directors who had functioned as bureau chiefs for a long period of time received three full grades less pay than office director at the highest grade level because they received a wage at the lowest grade paid for a deputy bureau director. Too small a difference in pay and too low a grade hurt implementation of the principle of distribution according to work, and it hurt full exercise of subjective initiative.

2. Wage level differences in the revised plan were too small. The difference between one grade and another was only 5 to 8 yuan. This meant that although a wage level promotion was no easy matter, the real benefit received was not much. As a material incentive, a promotion did not function to encourage people to get ahead.

3. After implementation of the revised plan, what was to be done should prices increase? Full consideration was lacking, nor was any needed explanation given. After the revised plan was instituted, retail prices continued to rise year by year. In 1987, they rose 15.3 percent; in 1988, they rose 30.3 percent; and in 1989, they rose 25.3 percent. Once this situation occurred, those concerned did not bring for a new plan to solve them.

Institutions of higher education reported that the revised plan "further" reduced the wages of high ranking intellectuals. Their contention was based on the comparison of three plans: (1) The 1984 Shenzhen wage reform plan provided a maximum grade wage for a professor that was the same as for the mayor of Shenzhen, and a minimum grade that was the same as for the assistant mayor. (2) In the national wage reform plan of 1 July 1985, the maximum wage for a professor was the same as for a deputy minister or a deputy provincial governor. (3) In the Shenzhen June 1987 revised plan, the maximum grade for a professor was the same as the maximum grade for the assistant mayor, and the minimum grade for a professor was two grades lower than for the assistant mayor.

## POPULATION

### Scholars View Population, Family Planning

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["Monthly Talk" column by staff reporters Tao Kai (7118 6963) and Li Chunlin (2621 2504 2651): "An Important Area in the National Situation—Wu Cangping, Tian Xueyuan, and Feng Litian Discuss China's Population Problems"]

[Text] Wu Cangping [6762 3318 5493], born in 1922 in Panyu County, Guangdong, is a standing committee member of the Chinese People's Political Consultative Conference [CPPCC] and deputy chief of the conference's population section; professor of the Institute of Population Studies at China's People's University, and

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Reporters: China recently conducted its fourth census. Would the comrades here like to start our conversation with the results of this census?

Wu Cangping: Completing a census of a population of some 1.1 billion so smoothly and according to plan is unprecedented. There are several figures in this census worthy of attention. The first is that the population is some 10 million higher than we projected, indicating that 1 million births have gone unreported every year, and therefore grassroots administrative work remains to be strengthened. The second is that the size of the population which has received tertiary education has jumped sharply, from 5 to 14 million. This astonishing rate shows that China's efforts to expand tertiary education, particularly adult tertiary education, have accomplished very much. Third, the illiterate population has dropped from 230 to 180 million. While this is something we feel happy about, we cannot become overly optimistic. This is because illiterates accounted for a

large percentage of the 50 million deaths nationwide in the 1982-1990 period. Moreover, now China only counts those illiterates who are over 15 years old, whereas in the past the count included illiterates who were 12 or older. Thus there is a question of whether there are new illiterates between the ages of 12 and 15. This question deserves serious attention. Fourth, there is a rapid growth rate among the minority nationality populations, who account for 8 percent of the country's total population, compared to 5 percent in the past. The economies and cultures of minority nationality regions are already relatively backward, and the rapid increase in population will only further widen the gap with developed regions, posing new problems for nationality work under the new age.

Tian Xueyuan: As early as 1984, in the study of *China's Population and Employment for the Year 2000*, we suggested three projections for China's population, based respectively on high-, middle- and low-level scenarios. The actual situation over the last six years has proved that population variations have moved along a high level, as predicted in the high-level scenario. Judging from the results of the present census, control of population growth faces a grim situation. According to the Seventh Five-Year Plan's population control target, by the end of 1990 the mainland population should have reached 1.113 billion, whereas according to current projections, the figure will be 1.141 billion, or 28 million higher than the target. Therefore, by the end of the century the national population is likely to be close to 1.3 billion, exceeding the control target of around 1.2 billion by a relatively large margin.

Feng Litian: Compared with the third census in 1982, the fourth census saw a net population growth of 125.5 million, or an annual growth of more than 15.68 million people. This figure is indeed large in absolute terms; however, it is 1.19 million less than the net annual growth in the 1970's, which was 16.87 million people per year. On the one hand, total population is expanding, but on the other, net population growth is decreasing. Since 1986, China has entered a third peak birth period. This is evident from the number of women who bore children and the number of women of child-bearing age in 1989, which showed increases of 24.4 and 34.7 percent respectively compared with 1981 levels. Remarkably, given such conditions, net population is still dropping. This testifies to the outstanding achievements of China's family planning work in the 1980's.

Wu Cangping: The whole country is giving serious attention to education in the national situation, and this is good. Population is an important part of the national situation, and many of the basic difficulties that China encounters in the search for a development pattern are related to population. One basic difficulty is the denominator effect of population. Why must we initiate socialism with Chinese characteristics? The reasons, as summed up by Comrade Xiaoping, are because China has a large population, a weak foundation, little farmland, and inadequate resources. The basic cause of all of

these can be traced ultimately to a large population, which explains why there are few resources, production materials, and consumer goods per capita. The difference between population and all of these is just too great. China's total GNP ranks 10th in the world, but it falls behind when per capita GNP is calculated: we rank only slightly ahead of the most underdeveloped of countries. A large population is bound to create contradictions between consumption and savings, and it can slow the rate of construction, because a considerable part of the national income, which increases annually, must be spent on rearing new-born babies. How much strength will then be left for improving people's livelihoods and expanding production? Problems such as the ecological environment and education development are also related to population. China's present population is 1.13 billion, whereas the total population of all developed countries is 1.2 billion, and their GNP is 40 times that of China. Such is the heavy burden we carry on our shoulders as we enter international competition. That is why we should take the opportunity provided by the census to conduct education about the national situation, develop a strong and urgent regard for population among the people, and do a better job in future population work.

Reporters: Indeed, the large population is one of the characteristics of our national situation. Any country in the world will have a population problem in the process of development, but none will have a problem that is quite as outstanding as China's. Therefore, family planning is foremost among our fundamental national policies. That brings us to the question of how to evaluate the current family planning policy.

Tian Xueyuan: Practice proves that the current family planning policy fits China's practical conditions relatively well. China has pursued a family planning policy for several decades. It now boasts a complete set of experiences which is workable now and will be for some time to come. Practice has also proven that any policy change, whether relaxation or tightening, will result in serious consequences. Relaxation will naturally lead to more births, while tightening, which signals a policy change, will lead to women giving birth before the policy change goes into effect, and thus will lead to more births than allowed. Therefore, the existing family planning policy must be resolutely adhered to and carried out; meanwhile we should move toward drafting corresponding rules and regulations to ensure the policy is implemented to the fullest at every level.

Feng Litian: Currently, the grim situation facing China's population growth demands that our analysis should seek truth from facts. If China's resources, particularly its agricultural resources, are finite relative to its population, then as long as positive population growth continues and is sustained, the trend for population growth will be grim; whether the growth rate is fast or not does not matter. Therefore, the key to the problem is how to keep the current family planning policy stable and ensure that it is implemented seriously. I stress this point

because I would like to make it clear that, we must keep cool under the present peak birth situation, and must not let momentary zeal push us into changing the existing policy, even if it were in a subtle way. This would never lead us to where we want to be, and it could even destroy the country's stable situation.

Tian Xueyuan: Of course, while maintaining the stability of the existing family planning policy, we must proceed with reform in planned steps in order to change people's reproductive behavior so that it fits their choice of benefits. We must change the control mechanism from one that consists mainly of administrative measures to one characterized by interest adjustment. This requires that we consider both the costs and benefits of having children. With regard to cost, we will increase the cost of births that are above the quota, in the hope that parents will realize that the benefits these children will bring will not cover the costs they incur. We must also raise the quality of children, which is primarily a matter of educational expenditure; change the disproportionate distribution between mental and manual labor, which is irrational at present; and make parents realize that the costs of raising the quality of their children will be more than compensated by the benefits the children produce when they have grown up. Thus, this may tempt people to shift from focusing on the quantity of inputs children receive to the quality of inputs they receive. With regard to benefits, one method is to use encouragement and various favorable treatments to expand the value of returns to single-child parents. Another method is use punishment to reduce the value of returns to parents who have more than their quota of children, and make them realize that it is economically inviable to raise such marginal children. With the "hard and soft method" of children's costs and benefits, people will become concerned about the costs and benefits of having children; in other words, they will begin determining how many children to have by comparing economic gains and losses, and thus will voluntarily choose the path of fewer births, quality child rearing, and quality education, which will lead to positive cycles of population and economic development.

Feng Litian: Judging from the results of the present census, there is still a great potential for implementing the existing family planning policy. The potential is shown primarily in the following aspects: At present, 10 percent of total births are from populations who married early and bore children early. There were obvious imbalances among provinces when comparing the ratio between social and economic development and the family planning level. There is still enormous room for improvement in grassroots family planning organs, professional staff, family planning station networks, and service quality. There is as yet no policy system, legal system, or organization that can effect an integrated remedy. For now, vigorously tapping the existing potential should have an instant and immediate effect on lowering the peak birth level in the Eighth Five-year Plan.

Wu Cangping: The present census has uncovered a population of over 10 million that has gone unreported. This phenomenon shows that loose grassroots organizations in earlier periods have greatly affected family planning work. One of the strong points of socialism is its relatively strong grassroots administration. Central authorities are now strengthening the construction of grassroots organizations. This is a great opportunity for disseminating propaganda and services of grassroots family planning organizations, and family planning departments should make use of it. Knowledge, techniques, and medicines needed by the masses should be ensured. Feng Litian: Taken as a whole, the population problem should embrace various aspects of the population, such as its quantity, quality, and structure. For a long time, China has spent much efforts on controlling the quantity, and it has scored world-renowned achievements in this area. But in the area of improving population quality, there is still a gap that must be spanned; the level of understanding about this point should be raised further. Improving population quality will not only promote social and economic development, but also will help cement the fruits achieved with respect to quantity. This is because, when people improve their educational and cultural levels, they will voluntarily have less children and will provide better child care. In this respect we must remove the ideological resistance where "water fetched from afar cannot quench the present thirst." If we view improvement of the population's quality, particularly the population's cultural and educational standards, as "water from afar," then in practice we will not try to understand problems in this area. Hence we will really turn improving population quality into "water from afar," with the result that the present problem of thirst will also be difficult to resolve.

Wu Cangping: Only by improving the population's quality will we be able to turn the population disadvantage into an advantage; this requires that we train talented people. In a population of 1.1 billion, even if there were only as few as 20 to 30 million highly talented people, and over 100 million with an intermediate-level of education, we would have an increasing number of reform or production experts, and things in China would be much easier. Currently the most outstanding problem is that the population in rural and remote areas is far larger than in developed and urban areas. Of all the great social problems we are facing, this is the most urgent.

Reporters: A man who does not worry about the future is approaching trouble. What population trend will develop in China in the next several decades? What measures should we adopt in response to this trend?

Feng Litian: Before we cast our eyes to the future, China must first adhere to the view that population growth must be kept in line with natural resources and ecological problems, and advocate the new Marxist population view that there is a limit to population growth. The world's capacity is limited, and all material resources are also limited; therefore, population growth should have a limit. In China, this is the most outstanding problem.

Wu Cangping: Somebody once remarked that if we can manage with 1.1 billion people, there should not be any problems with 1.2 or 1.3 billion. But I say that we have now reached the limit of our capacity; this much we must understand. When dealing with population problems, we must stand high and see far. In this regard, short-term behavior is the most fatal type. China requires at least 50 more years of family planning work, and the work will become more difficult the further on we go. In whatever we do, planning will bring success, and an absence of planning will bring failure. For a long time we have suffered greatly from the population problem, precisely because we failed to see the gradual, cumulative, constant, and cyclical nature of population.

Tian Xueyuan: Over the next several decades, we will see a third wave of population growth in China. The first element will occur between 1986 and 1997, when China will experience another peak birth period, as the people born in the 1962-1973 peak birth period reach reproductive age. From 1986 to 1997, every year an average of 11 million women will reach 23 years of age; for seven of those years, the number will top 12 million. In the first three years of the 1990's, the average will amount to some 13 million. Never before has China had such a massive population of reproductive age. The least we can do to deal with this peak birth period is to execute the existing family planning policy all the more effectively, and try to reduce the level of the apex of the birth peak, so that the birth rate and population growth rate will not rebound too violently. The second element will occur between now and 2010. The working-age population will increase suddenly and reach a new height; this means that there will be a relatively low percentage of old and young, and a relatively high percentage of working-age people during this period. In other words, the population to be fed will be small relative to the population that can supply the food. This is a golden period of change in the population's age structure, and it provides an excellent opportunity for China's development. The third element is that the aging population will reach a peak in the 2030's, with the rapid appearance of a large "wave of silver hair," which will be a challenge to us.

Wu Cangping: The most direct question that an aging society poses for China is the following: If all accumulated funds go to old-age pensions, how will development be possible?

Tian Xueyuan: By 2040, people over 65 will account for 17 percent of China's total population. Viewed as a whole, the age structure of China's population resembles that of developed countries, while economically it is at the level of a developing country. The two together create a great contradiction. How can we ride out the "wave of silver hair?" First, we must expand social support. However, society cannot undertake all the support. Thus support by children should be encouraged, which gives play to the Chinese tradition of respecting and supporting the old. Meanwhile, we must organize the old to participate in whatever labor they are still capable of and support themselves as much as possible, and we should combine this support into the "three kinds of support."



**Reporters:** A specific question: Some think that if the economy improves, the population will naturally decrease. Is this view correct?

**Wu Cangping:** This view refers primarily to the experience of Western developed countries. However, if we apply the view to China, then the theoretical level will become partial and harmful in practice. If population control must wait until the economy has developed, then there will be no end to the waiting. This is because we face a situation that is completely different from that during the initial development of capitalism; at that time the world population was about the same size as China's. But even in places where population growth was highest, such as in Europe, the natural population growth rate was no more than 1 to 1.4 percent, and 2 to 2.5 percent or higher if today they did not pursue family planning [as received]. Their population has merely doubled over the past 130 years or so. For our part, even though it was vigorously controlled, our population doubled in less than 40 years. Moreover, Europe's economy at that time was much more developed than ours was in the 1950's and 1960's, and greatly surpassed ours as far as the extent of modernization, industrialization, and urbanization. Therefore it was possible for their population to decrease voluntarily. We simply do not enjoy such conditions. Another point is that the American continents and Oceania were at that time virgin soil, and the European population could emigrate. Where can our excess population go today? The most real and pressing problem is that the population problem already creates a drag on China's economic development. Therefore, we must fully understand the extreme importance of the population problem on China's economic development.

**Tian Xueyuan:** Apart from the age factor, variations in population volume are also determined by various social factors in the economic, political, and cultural areas. Of all these, the most essential is the level of economic development. At present, birth levels in urban and rural areas differ sharply. Populations in large and medium-sized cities are now lower than the level of substitution, whereas the level in rural areas is higher. In the final analysis, the root cause lies with the level of economic development and the nature of the existing economic structure. The history of population variations proves that, because an agricultural society consists of manual labor and its production growth relies mainly on increases in human labor, it will not place a high demand on the quality of laborers. Thus a cyclical pattern forms at the elementary level, with a pattern of high birth rate—low labor production rate—high birth rate. Because of the tremendous scientific and technological progress and economic development after the Industrial Revolution, higher demands were made on the quality of laborers. People were forced to switch from investing in children's quantity to investing in their quality, and as a result birth rates fell, which in turn effected a transition toward a cyclical pattern at an advanced level. This was a pattern of low birth rate—high labor productivity—low birth rate. Developed countries have now completed

the transition toward an advanced cyclical pattern. What about China? In the 40 years since the founding of the People's Republic, and especially in the decade beginning with reform and opening up, social productive forces have developed relatively rapidly. Thus, some large and medium-sized cities and a few relatively advanced rural areas initiated or basically completed the change from a cyclical pattern at the elementary level to one at the advanced level, and launched themselves on a path towards a cyclical pattern based on benevolent development of the population and economy. Most small townships and broad rural areas, however, still flounder at the elementary level of the cyclical pattern. While keeping in mind the two cyclical patterns and the reality of China, we must on the one hand vigorously develop the economy and promote technological progress, and on the other hand vigorously strengthen family planning work and actively promote reform. We can expect good results only if we mount a two-pronged assault on the problem and make a concerted effort. A biased emphasis on one side of the picture will not work.

**Feng Litian:** With regard to population and socio-economic development, of course we must first stress that socio-economic development plays the determining role, without downplaying the importance of family planning. In fact, such emphasis puts family planning in an appropriate context. The development of population has a powerful influence on socio-economic development, and strengthening family planning will boost this influence. Thus, despite the country's relatively poor economic and educational conditions for development, China's can still raise its population control to a relatively high level, which will in turn promote economic development. The question of matching population development with socio-economic development can be viewed at the macroeconomic or microeconomic level. From the macroeconomic level, China suffers from low social development, relatively low per capita GNP, and low educational standards, while its population is large and growing rapidly. These two conditions obviously do not match, and this explains the necessity of making family planning a basic national policy. From the microeconomic level, the reproductive behavior of a family with few children would naturally be closely linked to the family's material interests, particularly following the pursuit of the household contract system in rural areas. That would certainly prompt the family to have more children, particularly more boys. We cannot ignore this objective factor. Therefore, on a macroeconomic level, the present requirement works to promote fewer births, while on a microeconomic level it promotes more births. The current family planning policy is in fact a concessionary one. Both the state and family yield a little so that the situation is acceptable to all sides. Such a concessionary policy reflects the concept of simultaneously pursuing economic development and population control.

**Reporters:** Demography got off to a relatively late start in China, however it has developed rapidly over the last



few years. In what way can demographic theory play a larger role in China's population work and in the whole modernization process?

Wu Cangping: Concern with the population problem actually started a long time ago. Both China's Confucius and the West's Plato said something about population. With the appearance of Malthus's theory, population theory began to gain general attention. However, it was not until after the birth of statistical studies on population that population study became an independent discipline. It advanced briskly, roughly in the aftermath of the World War II, because the population in the post-war world grew rapidly. Censuses became increasingly rich in registration information. All countries then began to contemplate population policies to make the pace of population growth conform with that of development. Demographic studies in China began relatively late, but advanced very quickly between the mid-1970's and the mid-1980's. Now China has the world's largest staff for studying population, the biggest population studies institute and, most important, the world's richest source of data for theoretical studies on population. Therefore, the prospect is that China's demography will move to the forefront, among the world's other disciplines.

Feng Litian: When the 1990's end, China will have built a theoretical demographic system that is relatively complete in range and that has Chinese characteristics. The major grounds for my statement are as follows: China has rich resources available for demographic study, and every year, as vast amounts of information from population surveys are provided as raw research data, these resources grow. China has a large population study force which continually improves its standards. Currently institutes of higher learning alone have over 40 research institutes. As demanded by social practice, various concerned state departments, the Academy of Social Sciences system, and the party school system also teach or research demographics. Moreover, the older, middle-aged, and younger generations in the present population study force are relatively united. All these are necessary requirements for building a scientific, theoretical demographic system. Such a system consists of three subsystems: population principles, analytical techniques for population statistics, and interdisciplinary population sciences. China leads the world in the area of population principles, or basic population theory, and it has achieved pleasant, creative results in the area of analytical techniques of population statistics. Although China has attained some results in its research in the area of population interdisciplinary sciences, this area awaits further penetration and exploration.

Tian Xueyuan: Developing demography is necessary if the whole population problem in the Eighth Five-year Plan and in the entire 1990's is to be resolved. It is also necessary to the development of discipline. How do we develop it? Three points deserve particular attention. First, we must resolutely observe and resolve the population problem using dialectic materialist and historical materialist methods, and carry out the principle of

combining theory with practice. Second, using the principle of learning to use foreign things ourselves, we must actively absorb the scientific elements in foreign research, especially their advanced methods and means. Third, we must encourage debates of different views and develop different schools of thought. However, there should be a mutual respect for different views, old and new; different disciplines; and for theoretical and practical workers. We should correct and learn from each other, and adhere to the principles of letting a hundred schools of thought contend and forging ahead with unity.

## TRANSPORTATION

### Report Outlines Transportation Development

91CE0110A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 38-39,  
1 Oct 90 pp 23-24

[Article by Ling Hu (0109 3698) and Chao Yang (2600 7122): "China's Transportation Construction Developing Steadily"]

[Text] Although China's economy has been in a valley for the past two years, construction of transportation facilities has continued to develop steadily. At the beginning of last year the Chinese Government stated that economic policy and capital construction investment would be inclined towards such basic industries as energy, transportation and raw materials. Information indicates that China's gross investment this year in railways, highways, water transport, and air transport reached 13 billion RMB [renminbi], an increase of 2 billion RMB over 1989.

In the first eight months of this year, nearly 3 billion yuan have been invested in railways, primarily to accelerate construction of railway arterials. Up to the present, over 260 km of electrified railways, multiple track lines and new track lines have been completed and gone into use.

With capital in rather short supply, the Ministry of Railways has given priority to ensuring construction of key projects and hence there have been breakthrough developments in construction of the East China Railway Network and such projects as the second phase of the Datong-to-Qinhuangdao project and the Houma-Yueshan coal shipment abroad route.

What has caught the most attention is the completion and opening to traffic of the western section of the Lan-Xin Railway (i.e., the Beijing-Xinjiang Railway). This section of railway is 460 km long. Its construction creates the second bridge linking the Asian and European continents and is very important for economic development of the Asian-Pacific Region and for China's opening up to the outside. The roadbed for this railway was basically completed in the 1950's, but because of the rift in Sino-Soviet relations, it was stopped midcourse. Construction was resumed in 1987

with China investing 3.5 billion yuan. On 12 September it linked up with the Soviet Union's Tuxi [0760 6007] Railway at Alashankou on the Chinese-Soviet border and it is estimated that the continental bridge will be open to traffic by 1992.

Related to this is a key national Seventh Five-Year Plan project—the first phase of the technological transformation of the Lianyungang to Xuzhou section of the Longhai Railway, which is already in the critical final stage of construction. The Lianyungang to Xuzhou section of the Longhai Railway is 223 km long. It is the most direct route to the sea for the nine provinces and regions of the central plain and the northwest and is also an important part of the second “continental bridge” between Asia and Europe. Since this railway section is already over 70 years old, it is of poor quality, shipping facilities are out-of-date, the capacity of the stations and yards is inadequate and it has become a “bottleneck” restricting Lianyungang from increasing its cargo handling capacity and the Longhai line from increasing its shipping. In 1984 the state decided to invest 512 million yuan to transform completely this railway section and to build some new transportation facilities.

Currently, 144 bridges, including two especially large railway bridges and three highway-railway bridges, a medium-sized marshalling yard at Xizang and a transfer station at Zhongyunlugang, and large freight yards at Xinyi and Donghaixian have been built at this over 200 km-long construction site. It is estimated that the entire project will be completed next year which will increase this section's shipping capacity by 50 percent over pre-transformation.

China is not just stressing railway building in railway construction, but is also paying attention to improving allied facilities. For example, the comprehensive transformation of the transportation junctions at Zhengzhou and Xuzhou are proof of this.

Since 1986, the state has invested over 600 million yuan in key construction on 28 important projects in 9 systems at the Xuzhou Railway junction. This transformation's current main project's grade three ten semi-automatic large-scale marshalling yards and primary associated project three shujie [3990 6043] areas, two railway connection lines and 155 bridges and culverts have been completed and were formally opened to traffic on 15 August. The person in charge of the project said that after transformation, the Xuzhou Railway Junction's freight car marshalling capability per day could reach 18-20 thousand cars, annual shipping capacity could reach 130 million tons, a 50 percent increase over the past and could fully adapt to the needs of domestic shipping and near-term international transborder shipping on the new Eurasian continental bridge. Passenger and freight trains from all points of the compass have an open road.

By the end of this year over 10,000 km of highways will have gone into use nationwide, bringing the total length of China's highways to more than 1.01 million km.

China's construction of expressways which began in 1984 has achieved splendid results. The Guangzhou-Foshan, Shanghai-Jiading, and Shenyang-Dalian highways are open to traffic, with a length of over 800 km. In addition, the Beijing-Tianjin-Tangshan expressway will be open to traffic in October; the Guangzhou beltway, Shanghai Xinzhuang-Songjiang, Hainan circumferential highway and the Guangzhou-Shenzhen multilane expressways are under construction.

A Ministry of Transportation official said that during the Eighth Five-Year Plan, in addition to continuing to finish on expressways already started, China will also build Shanghai-Nanjing and Shanghai-Hangzhou-Ningbo expressways in the Changjiang Delta, a Guangzhou-Foshan expressway extension in the Zhujiang Delta, and a Shenyang-Dalian expressway extension on the Liaodong Peninsula.

Fujian Province on the China coast is also planning to build a Fuzhou-Xiamen expressway and will begin construction in 1993.

It costs China roughly 12 million yuan to build one km of expressway, including expenses for construction overpasses along the route. The expressways constructed by China have 26 meters wide roadbeds, permitting four lanes in both directions, limited access, fully grade-separated so that vehicle speed can reach 100-120 km/kph and allows for 24-hour traffic capacity to increase to 25,000-45,000 vehicles.

China's expressway construction is divided into two parts: the part financed by the state and the part financed primarily by the local area. Currently the enthusiasm for constructing expressways as a spur to local economic development is very high among some provinces and cities and this has promoted the growth of China's expressways.

China's expressway construction project management and quality control is also improving daily. An engineering supervision system was adopted in the process of constructing the Beijing-Tianjin-Tangshan expressway. Supervisory work was conducted through construction contract management in line with the International Engineers Association standards. It effectively stipulated the construction progress, project quality and economic results in legal form. Supervisory engineers had the right to veto project quality.

In terms of port construction, this year we completed 30 deepwater berths and a group of medium and small berths. The distribution of these deepwater berths is as follows: one each in Dandong, Qingdao, and Fuzhou; two each in Yantai, Shijiu, Yingkou, and Lianyungang; six in Shanghai; four in Nanjing and Hainan; and five in Tianjin. In addition, within the year, seven berths will be completed on river harbors. Also, wharves were

expanded at Wuhu and Anqingtou ports along the Changjiang so they could dock ocean-going ships of 5,000 tons.

China plans to complete four airports this year: Xianyang, Wenzhou, Xining and Xishuangbanna Daizu. The Wenzhou airport went into use in August. The reconditioning of the Jianqiao airport in Hangzhou passed construction review and was accepted on 10 August and air traffic resumed on the twelfth.

The runways on the reconditioned Jianqiao airport are 4,000 meters long, reaching first-grade domestic standards and can meet the take-off and landing needs of fully loaded large-scale passenger aircraft such as the Boeing 747-400. The airport's navigational beacon facilities have achieved international standards and this has improved safety and reliability of aircraft landings.

The Hefei airport passed state review and acceptance at the end of August and was approved as an air port open to the outside.

Hefei airport used to be an airport equipped for international landings and had very complete safety facilities. During the past few years, its navigational suitability has been further improved with the importation of foreign instrument landing equipment and it can provide safe take-offs and landings for passenger aircraft day or night. Several million yuan have been invested in the airport with the construction of a Hefei Customs Building, the expansion of the airport's international joint inspection hall, the establishment of such port inspection agencies as customs, border defense, inspection, public health quarantine, animal quarantine and plant quarantine, and the training of a qualified corps of employees, and since 1988 it has operated a provisional charter business between Hefei and Hong Kong.

In addition, beginning in September, work began on the rebuilding and expansion of the Guilin Civil Airport, which is an important airport in China's southwestern region.

The remodeling and expansion of the Guilin Airport includes: remodeling and expanding the terminal building by over 3,500 square meters; expanding the tarmac by 13,000 square meters; improving communications facilities and adding an automated weather observation system.

The remodeling and expansion project in which a total of 7.85 million yuan is being invested, is estimated to be completed at the end of June, 1991. At that time the international and domestic terminals of the Guilin Airport will be doubled in size, the passenger handling capacity per hour will reach 1,200 persons, and the expanded tarmac will be able to hold six large passenger aircraft and two medium-sized passenger aircraft at the same time.

It is reported that the Eighth Five-year Plan (1991-1995) currently being drafted makes improvement and construction of transportation facilities a key point in national economic development. It can be believed that in the next five years, China will have many new transportation facilities ready to go and the national transportation situation will be greatly improved.

## AGRICULTURE

### Agronomist Deng Yingtao on Rural Development

OW0602082291 Beijing XINHUA in English  
0439 GMT 6 Feb 91

[Text] Beijing, February 6 (XINHUA)—China's rural population will shrink from the present 80 percent to 60 percent of the total population in the coming decade, noted agronomist Deng Yingtao has predicted.

In an interview published in today's "PEOPLE'S DAILY", Deng, deputy director of the Research Institute of Rural Development under the Chinese Academy of Social Sciences, said the proportion of nonfarming employees will account for 55 percent of China's total employees by the end of the year 2000.

According to Deng, China will focus on steady agricultural development while streamlining its rural industrial enterprises in the coming decade.

Deng said this means that there will be a big change in China's rural economic policy as regards supplies of grain, edible oil, water, electricity and housing.

He called on localities to boost the service trades to meet the needs of China's burgeoning cities and towns.

### Progress Reported in Developing High-Quality Rice

OW3101172891 Beijing XINHUA in English  
1411 GMT 31 Jan 91

[Text] Changsha, January 31 (XINHUA)—China, which was once well-known for its success in breeding hybrid rice, has again made remarkable achievements in recent years in regard to its studies and development of fine-quality rice, namely nutritious, delicious and medicinal rice.

Starting in 1984, when the country had a record bumper grain harvest as a result of the economic reform and the high-yielding strains of hybrid rice, many provinces have one after another increased their acreage for growing fine-quality rice.

At present, according to an expert from the Hunan Provincial Institute of Rice, the amount of the country's farmland growing fine-quality rice has surpassed 6.66 million hectares, about one-fifth of the nation's total 33 million ha of paddy fields. Meanwhile, the country's output of fine-quality rice reached 25 billion kg in 1990, about one-seventh of the nation's total rice output.

As the world's largest rice-producer, China is rich in strains of fine-quality rice. At a 1985 exhibition in Changsha, central China, a total of 445 strains of fine-quality rice from 25 provinces, municipalities and autonomous regions were displayed.

Many of these rice strains are famous on the world market. They include: the soft rice produced in Hunan Province, the "boli nian" (glass sticking) variety produced in Guangdong Province, the "shuangzhu nian" (bamboo sticking) type produced in Jiangxi, the black rice produced in Yangxian County, Shaanxi Province, and the black glutinous rice produced in Huishui County, Guizhou Province.

While paying attention to traditional fine-quality rice strains, efforts have also been made to breed some new strains of fine-quality rice, such as fragrant rice and purple rice, in the past years.

In addition, scientists have been organized to study and discover improved techniques for growing fine-quality rice.

For example, the government of Hunan Province, central China, set up a provincial leading group to be in charge of the work on development of fine-quality rice in 1984. The group drew up a development program and organized scientists from the province's scientific institutes and universities to research the theories and techniques behind the production of fine-quality rice.

After several years' efforts, the scientists managed to breed some high-yielding and disease-resistant strains of fine-quality rice, and develop a complete set of techniques for growing such rice. Their research results have won the national award for scientific and technological progress.

Moreover, the province's average per-hectare output of fine-quality rice reached 5,700 kg in 1990. The acreage used to produce the fine-quality rice was increased to one million ha in 1990, 800,000 ha more than in 1984. Meanwhile, its total output of fine-quality rice reached 5.7 billion kg, accounting for 20 percent of the province's total grain output.

Since the price of fine-quality rice is five to ten percent higher than that of ordinary rice, the local peasants have benefited a lot from its production.

The Chinese Government has also made great efforts to support the development of fine-quality rice. He Kang, former minister of agriculture, once presided over a national conference on fine-quality rice. He also inspected those areas in which the rice was growing many times. The government has invested in the construction of several national bases for producing fine-quality rice, including seven counties around Dongting Lake in central China.

Experts noted that to develop fine-quality rice is a natural way for China to restructure its grain strains,

adding that it will be another important factor in the country's agricultural production.

### **Wheat Yield 40 Percent Higher Than World Average**

*OW0202104391 Beijing XINHUA in English  
1014 GMT 2 Feb 91*

[Text] Beijing, February 2 (XINHUA)—Today's "PEOPLE'S DAILY" reported that China's wheat output per unit area is 40 percent higher than the world output per unit area.

The wheat output topped 100 billion kilograms last year, a 9.8 percent increase over 1984, and the per unit area yield reached 218 kilograms, a 14.1 percent increase. The wheat output for 1990 was the highest for any year in the history in China.

Last year's wheat output made China the world's number one producer of wheat.

By way of comparison, in the 1970s, the country's wheat output per unit area was only 150 kilograms and the total output was only 50 billion kilograms.

### **Commerce Ministry Reports Higher Fodder Production**

*OW0402035391 Beijing XINHUA in English  
0318 GMT 4 Feb 91*

[Text] Wuhan, February 4 (XINHUA)—China's fodder production has maintained a rapid pace of development over the past 20 years.

It increased from 900,000 tons at the end of the 1970s to 31 million tons last year, according to a Ministry of Commerce Official here.

China now has a total of 6,200 feed-processing plants, and the fodder production capacity has reached 41 million tons a year.

### **Infrastructure Improvements Aid Fishery Production**

*OW0802123191 Beijing XINHUA in English  
1217 GMT 8 Feb 91*

[Text] Beijing, February 8 (XINHUA)—China has increased its fishery production capacity by one million tons annually in the past five years thanks to the country's efforts to improve its infrastructure construction, the Ministry of Agriculture revealed today.

She Danu, director of the Fishery Department under the ministry said that over the past five years, China has invested some four billion yuan to improve the country's fishery production facilities. As a result, 300,000 hectares of fishery and shrimp ponds have been built or improved while 430,000 hectares of fresh and salt water raising areas have been created to produce more aquatic products.

According to the ministry, China owned a total of 340,000 fishing boats by the end of 1989, 2214 of which are powered by engines with more than 400 horsepower. Meanwhile, some large and modern fishing ships have also been introduced in the country to help explore new deep-sea fishing areas.

Director She said that China has a total of 13 million hectares of fishery breeding water, most of which was built or improved in the past five years.

### Cotton Production Rises 16.5 Percent

OW0802095691 Beijing XINHUA in English  
0948 GMT 8 Feb 91

[Text] Beijing, February 8 (XINHUA)—China produced over 4.25 million tons of cotton last year, 500,000 tons or 16.5 percent more than in 1989, the latest statistics from the Ministry of Agriculture show.

An official from the ministry said that China grew cotton on 5.54 million ha last year, 350,000 ha more than in the previous year—marking the largest growth area and the highest output since 1985.

Excepting Jiangsu Province, where the output fell due to floods and typhoons, the other 16 cotton-producing provinces and autonomous regions all increased their output.

Among them, the Xinjiang Autonomous Region produced 450,000 tons of cotton last year, an increase of 150,000 tons over the previous year and a record high. It was the region's 13th successive bumper cotton crop year. Hunan, Hubei, Shaanxi and Liaoning Provinces all increased their cotton production by at least 40 percent, the official said.

### Provincial Jute, Kenaf Area, Prices

91P30086E Beijing NONGMIN RIBAO in Chinese  
5 Dec 90 p 2

[Summary] In 1990 the jute and kenaf area in Anhui Province was 1,270,000 mu, and output will be about 200,000 tons; the area in Henan was 1,200,000 mu, output 200,000 tons; the area in Hubei was 840,000 mu, and output will be about 150,000 tons. At present, the procurement price for second-grade hemp is 75 yuan per 50 kilograms in Anhui, 75 yuan in Henan, 78 yuan in Hubei, and 85 yuan in Hunan. In Jingzhou Prefecture, Hubei the sales price for first-grade hemp is 96 yuan per 50 kilograms; second-grade 92.4 yuan; third-grade 88.9 yuan; and fourth-grade 85.3 yuan.

### Beijing Reports Increase in Grain Production

SK0702004991 Beijing City Service in Mandarin  
1000 GMT 22 Jan 91

[Summary] Our municipality overfulfilled its grain production target for the Seventh Five-Year Plan period.

Grain output increased from 2.2 billion kg in 1985 to 2.52 billion kg last year, showing an increase of 13.6 percent.

### Gansu 1991 Grain Plan

91P30085A Beijing NONGMIN RIBAO in Chinese  
27 Dec 90 p 1

[Summary] In 1991 the grain output plan for Gansu Province is 6.75 billion kilograms. The corn area will increase from 4,550,000 mu to 5 million mu, the per mu yield will increase from 300 kilograms to 400 kilograms, and gross output will be about 2 billion kilograms.

### Survey of Hebei Rural Electricity Prices

91CE0169 Beijing JIAGE YU SHIJIAN [PRICE: THEORY AND PRACTICE] in Chinese No 10,  
20 Oct 90 pp 46-49

[Article by Kong Qingzhi (1313 1987 5347), Wang Yanhua (3769 3601 5478), Zhang Shuangqun (1728 7175 5028), and Du Jianjun (2629 1696 6511): "The Successful Way To Rectify Rural Power Prices—Survey of Comprehensive Price Implementation in Hebei Province"]

[Text] In recent years the prices of electric power in rural areas have been both high and arbitrary, thereby seriously affecting agricultural production and the life of peasants. Many counties and townships in Hebei Province, from the very beginning of the implementation of a comprehensive power price, have in succession obtained good results from this rectification of rural power prices. After reading the relevant reports on some counties, to gain a further understanding of them and to verify them, we visited six counties—Qinghe, Julu, and Linxi in Xingtai Prefecture, Qiuxian and Jize in Handan Prefecture, and Yuanshi in Shijiazhuang Prefecture—where we made a survey on the necessity and possibility of implementing a comprehensive power price in rural areas. Our general impression was: with the enthusiastic support of two levels of government—county and township—implementation of a comprehensive power price in rural areas is both necessary and feasible, and it will be highly welcomed by the broad masses of peasants.

### I. Background to Formation of a Comprehensive Power Price

In rural power prices there are now two prominent problems: The first problem is that there are too many prices and too many changes in them, making their calculation very tedious. That there are too many prices is reflected in the fact that only power prices are divided into inside-plan prices, outside-plan prices, state plan power amount prices, and local plan power amount prices, not to mention various price hikes. Classified by use, the state's directed power prices are divided into prices for lighting, motive power, and irrigation. For

rural power there are the added expenses of township power station management fees, change loss, and line loss.

The other problem is that the power prices are too high, and it is very difficult for the peasants to bear this burden. In the counties we surveyed, before rectification, in the rural areas the price of power per kilowatt-hour [kwh] used for lighting and field irrigation was in general 0.30 to 0.50 yuan, with the highest price being a little more than 0.90 yuan. In Xiaotun Village, Xiaotun Township, Qinghe County, in February and March of this year the price rose to 0.90 per kwh, making it impossible for 11 percent of the consumers in the village to continue to use electricity and they had to light kerosene lamps. In Xunhu Village, Wahuzhai Township, Julu County, one irrigation of one mu of land cost more than 20 yuan last year. The masses reacted strongly. In March of this year, Qinghe County held a people's congress, at which 41 of the 197 delegates put forward a motion demanding that the problem of high prices for power be solved.

The main reasons for this high cost of rural power are: (1) Many village cadres, electricians, and close friends of electricians "make connections" so that no money is taken from them for their use of electricity, spreading out the cost as "favors for the people." Of the more than 400 households using electricity in Xiaotun Village, Qinghe County, no money was taken from 130 households. (2) Power management is imperfect, and there are serious phenomena of stealing and leaking electricity. (3) Low-tension line loss is too large, and in general is 20 percent or more with the highest loss reaching 40 percent. (4) For their own convenience some cadres take part of the available money that has no connection with electricity—pooled money, apportioned money, tax money, set-aside money, and money for unreasonable expenses—and use it to pay for their electricity.

## II. Calculation of the Comprehensive Power Price

The "comprehensive price" is a price in which the various prices and fees for the amounts of power and the prices of power are comprehensively calculated. The way it is calculated is: First, based on the distribution in the current year and on actual use in the year before, three uses of electricity are calculated for the current year in the rural areas: state-directed, locality-directed, and outside-plan. At the same time the proportion of each use of electricity is estimated. Then, in line with the stipulated price for each use and a weighted average, a basic power price is calculated. To it are added management and maintenance fees and low-term line loss, and the result is a unified index for the cost of using electricity.

In the process of actual implementation, each county has its own characteristics. (1) Qiuxian County has a highest-limit price, and Jize and Julu counties have a fixed price. The main distinction between the two prices is in the determination of low-tension line loss. In the highest-limit price the line loss is not fixed, with only its upper

limit being determined, and if the actual line loss is small the upper limit is appropriately lowered. In the fixed price a standardized line loss is determined (for example, in Julu it is 20 percent), and each village is responsible for its own profit and loss and for the awards and penalties meted out to electricians. (2) In Qiuxian and Jize counties, there is a comprehensive price, and it includes the power directly supplied to cities and towns for lighting, and in the rural areas it includes an additional management fee and a reasonable line loss. Julu County has a comprehensive price for its rural areas, and the cost of electricity directly supplied by the county for lighting enterprises and for lighting cities and towns is set by the original method. (3) Qiuxian County sets different power prices in accordance with its preferential power price policy and its comprehensive classification of uses. When making the calculation, for all of the power used for agriculture the state-directed indices are used, and so the price of power for agriculture is distinctly lower than that for industry and for lighting. Julu and Jizu counties do not separate the uses of power in the rural areas; they set a standardized power price. (4) Qiuxian County separates the power price into three segments, namely, a price for the township, the township's management fee for handling the village account, and the village's line loss and management fee for handling the consumer's account. Julu County separates the price into two segments, namely, the county's direct handling of the village account and the village's handling of the consumer's account; the county power station's management fee is handled by the county power bureau, which exercises centralized control.

## III. Measures for Implementing the Comprehensive Power Price

To calculate the multifarious power prices into one comprehensive power price is the only way to improve the collection of fees for using electricity. Setting a limit price (including a fixed price, with the same meaning for "fixed price" below) only sets a single goal. To achieve the goal of lowering the price of power, hard and painstaking work must be done. The practices of the six counties are synthesized below in the following points:

A. The governments gets involved, with the county head, township head, and village head pushing forward the work level by level.

An important reason that the rural power price was double and even several times higher than the price set by the state was that in a village the party branch secretary, the village party committee members, and other principal cadres did not pay for the electricity they used. The main resistance to a comprehensive power price came from the village cadres. Focusing on this situation, the government took the following measures: 1) the county government made public the plan to implement a comprehensive power price, and it accepted the masses' supervision; 2) the government set up a leading group for implementation of rural power prices, which was made specifically responsible for guiding this

work; 3) the government charged the price bureau and the electric power bureau with the responsibility for the specific work in implementing a comprehensive power price; and 4) the county head got personally involved. Before drawing up the power price plan, Zhao Haicheng [6392 3189 2052], head of Julu County, sent out three survey teams to find out what the current situation was. Three months after the plan was transmitted to the lower levels, he organized a 48-member survey team, which surveyed the implementation of the plan in the county. It learned that 46 percent of the villages had not yet implemented the plan. The county head immediately convened a telephonic conference, at which he said that the secretary of the village party branch and the chairman of the village party committee had to personally take charge of this matter, and also had to set an example in paying electricity fees. This way of getting a grip on the work and not letting go in a closely linked manner, after four months of hard work, resulted in the plan being basically implemented in all villages of the county in May.

B. The price bureau and the electric power bureau worked in full cooperation with each attending to its own duties.

The price bureau managed the "price," and the electric power bureau managed the "power." During the process of formulating, implementing, and supervising the implementation of the comprehensive power price, the two bureaus unified their understanding, coordinated their actions, complemented each other, and made concerted efforts to put the work on a solid footing.

C. Notices on the progress of implementation were timely circulated, thereby pushing the work forward.

To strengthen its leadership the Julu County government set up for the township governments a system of statistical forms and reports, and it also circulated throughout the county a report on the state of implementation in each township. Objectively, this system played the role of commending the advanced and urging on the backward, and it obtained good results. Statistics for April showed that there were 40 "villages that had not conscientiously implemented the plan" or "villages that had not implemented the plan at all," but in May only 16 of villages of these types remained.

D. Rules and regulations were drawn up to enhance the management of electricians in rural areas.

During the process of implementing the comprehensive power price, the government drew up necessary rules and regulations to enhance the management of electricians in rural areas. (1) In several of the counties surveyed, announcements informed all peasants in the county of the comprehensive power price, explaining that they could refuse to pay fees at higher prices than the comprehensive power price and that they had the right to report such cases. (2) The village set up electricity fees accounts, electricians' copy schedules, and money received accounts. A workbill consists of one form in

three copies, one of which is given to the consumer of electricity, one of which is kept by the electrician for his records, and one of which is given to the township power management station. (3) Each month the balance sheet for income and expenditure in electricity is posted on a wall. Julu County also made the rule that the fees for electricity paid by the party branch secretary, the village party committee chairman, and the electricians had to be put at the top of the balance sheet. (4) The building of the electrician ranks was strengthened by timely readjusting incompetent electricians and by hiring comrades whose ideology was good, whose work attitude was good, and whose professional capability was strong. Julu County made it a rule that the electricians who were hired must be put under the leadership of the township power management station and the village party committee, but that the latter does not have the right to dismiss and replace electricians. (5) To encourage electricians to maintain circuits well, enhance their management, and reduce line loss, one of the measures in implementing the comprehensive power price is that an award is given to an electrician who reduces line loss and a fine is imposed on an electrician who does not maintain circuits well. (6) Supervision and inspection were enhanced. Besides having the masses supervise and setting up report boxes, the price departments inspected, at irregular intervals, the implementation of the comprehensive power price. To put a stop to the phenomenon of not following rules, Qiuxian County stipulated that, in the cases investigated by the price department, the loss of money caused by violations of discipline had to be made up respectively by the price bureau and the township power management station in a 6:4 ratio.

#### IV. Initial Results in Implementing the Comprehensive Power Price

The comprehensive price is handy, standardized, public, and easy to supervise. Its implementation shows that rule by law produces faster results than rule by man. In the future, following its further implementation and perfection, there will be greater and greater benefits, and they will more and more evident. The benefits already seen are:

A. The power price level has fallen, and the burden on the masses has been lightened. Xiaotun County, Qinghe County, by engaging in rectification for two months solved the problem of nonpayment of electricity fees. Balancing its books three times, it found that: the total amount of electricity used in these two months was half that in the previous two months, the average power price dropped by a third (from 0.46 yuan per kwh to 0.30 yuan per kwh), and the masses saved 450,000 yuan in electricity fees. In Julu County, last year's average price of 0.4 yuan per kwh fell to 0.26 yuan, 1.26 million yuan were lifted from the peasants' burden over a five-month period, and the cost of electricity per capita in the county was reduced by a little over 4 yuan.

B. The relationship between the cadres and the masses has been improved, thereby raising the prestige of the

government and the basic-level cadres. In the past the electricity fees were high, and the masses made many complaints about it. Now, with the township and town governments getting directly involved and doing practical and realistic things for the masses, the masses universally applaud these governments. The masses in Chengguan Township, Julu County, said: "In the past you had to pay as much for electricity as you were billed, and if you didn't pay the electricity was cut off. Now, with one hand you pay your bill and with the other hand you receive proof of its correctness, and so there is a better understanding. The government is the people's government, and the county head is the people's magistrate. By showing this kind of concern for ordinary people, they have done a great thing for us."

C. Honesty in the ranks of rural cadres and electricians has been promoted, and their work style has improved. In rectifying the power prices, first of all ideology is rectified and then work style is rectified. By implementing a comprehensive power price and standardizing the cost of electricity, it is out of the question for anyone to use electricity without paying for it. Also out of the question are making indiscriminate apportionments and arbitrarily tacking on money. Just as the party branch secretary of Yantuan Village, Julu County, said: "To tell the truth, in the past I never paid for the electricity I used. Now, this practice is out of the question. Over the past several months I have, on my own initiative, paid quite a tidy sum for it."

D. The masses' enthusiasm for production has been aroused. In the past the power price was too high, and increase in income from grain by irrigating was not enough to pay the electricity fees. Therefore, crops that should have been irrigated three times were irrigated two times, and crops that should have been irrigated two times were irrigated one time. Now, with the fall in the power price, the proper amount of irrigation can be estimated and calculated, and the peasants' enthusiasm for production is high.

E. The electricians' sense of responsibility has been improved, and the management of electricity use has been enhanced. In the past village electricians did not care how high the power price was, were not concerned about the degree of line loss, and did not pay enough attention to the maintenance and management of circuits. After the standardized comprehensive power price was implemented, the quality of management and the degree of line loss have a direct connection with the economic interests of the electricians. The masses' universal reaction was that the electricians have now become tireless in making their rounds at work and that their attitude has become much better.

## V. Several Opinions

A. The comprehensive power price is not completely the same in form in the counties. Basically there are two forms: One form is that in which the standardized fee charged by the electricians to the peasants is fixed (no

matter how much the actual line loss is, the price does not change), and there is a "rigid price." The other form is that in which the highest limit comprehensive price is permitted to fall in accordance with reality but is not permitted to break through the upper limit. Our opinion is that although the two forms are different, they both have one purpose, namely, following the constant rise in the level of management to reach gradually the power price level set by the state. Therefore, each county can select the form that best suits its own situation.

B. In calculating the comprehensive power price, some counties make the cost of using electricity for irrigation higher than the cost of using electricity for motive power, which is a practice that obviously does not conform to policy. However, this price is still quite a bit lower than the original price. We think that, since the comprehensive power price has already been made public, it can first be implemented in this way in the hope that in the future it will gradually be adjusted in line with the state's policy of tilting toward agriculture.

C. Because the proportions of three types of electrical quantities—state plan, local plan, and outside-plan—and the proportions of another three types of electrical quantities—lighting, motive power, and irrigation—which comprise the two categories that are the basis for calculation, are estimated beforehand, at the end of a year there will be a discrepancy between the estimates and the actual figures for the power used. The calculated average power price (or the average power price that should be calculated according to the proportions of power purchased) and the actual average power price will also not be the same, and thus when final calculations are made there will be a difference between the total amount of electricity fees that should be collected and the total amount of electricity fees that are actually collected by the electrical power bureau at the end of the year. How is this difference in price to be handled? Qiuxian County's way of handling it is worthy of reference. On 1 May the province adjusted the power prices in the localities. Qiuxian County made the 20,000 yuan overage in collection caused by the price difference a factor in making a downward adjustment in prices, with the result that the prices of electricity for lighting and motive power were adjusted upward by a very little amount and the price of electricity for irrigation even fell. We think that this price difference should not be included in calculating profit, but rather should be put in an independent account and rolled over for use, so that what is taken from the people is used for the people. This is a good way of handling the price difference.

D. It is difficult to implement the comprehensive power price, and it is even more difficult to consolidate this implementation. What measures to take for consolidating and developing the existing results is a matter of great importance. Our initial ideas are:

1. The price department and the electrical power department must strengthen their supervision. Specifically, they must supervise by seeing whether the results of fee



collection are publicly posted, whether receipts are in a standardized form, whether village cadres pay the full amount of the electricity fees on time, whether circuits are maintained on time, whether transformers are deployed in a reasonable fashion, and whether electricity is stolen or leaked.

2. The county's leading group should be remain in existence for a long time. When necessary it should appoint supervisors and inspectors, who should make year-round inspections in which they deal with the problems they discover in a timely way and prevent unreliability in the supply of electricity.

### **Heilongjiang Cattle, Dairy Production Increases**

*OW2401025391 Beijing XINHUA in English  
0158 GMT 24 Jan 91*

[Text] Harbin, January 24 (XINHUA)—Northeast China's Heilongjiang Province reported 14.3 percent increase in the number of its cattle in stock to 536,000 head last year, while its production of dairy products increased eight percent to 98,000 tons.

Both the figures are all-time high records.

Statistics released by related provincial departments show that both the province's number of cattle in stock and dairy production tonnage rank number one in the country. The number of cattle represents one-quarter of the country's total, while dairy production accounts for one-third of the country's tonnage.

The development of cattle breeding in the province began in 1978, at which time the province had only 60,000 head. Since that time the provincial government had adjusted its policies and has encouraged cattle breeding. At present 83.4 percent of the cattle herd is raised by individuals.

Simultaneously, dairy processing has also developed, and the province now has 160 dairy processing plants with a daily production capacity of 3,700 tons.

### **Henan Grain, Cotton Output**

*91P30085E Beijing NONGMIN RIBAO in Chinese  
9 Jan 91 p 1*

[Summary] In 1990 gross output of grain in Henan Province was 33 billion kilograms, a 4.9-percent increase over 1989; estimated cotton output is 676,000 tons, a 28-percent increase; and oil crop output 1,400,000 tons, an 18-percent increase.

### **Price Problems in Inner Mongolia Livestock Products**

*91CE0168A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese  
No 10, 20 Oct 90 pp 38-41]*

[Article by Hao Bisi (6787 3024 2448): "Cursory Discussion of Inner Mongolia Livestock Products Price Problems"]

[Text] Inner Mongolia is a major livestock products producing area in China. Diligent study and analysis of livestock products price problems holds major significance for Inner Mongolia.

### **I. Role of Livestock Products Prices in the Development of Inner Mongolia's Economy**

First, rational prices can result in the grasslands supporting a sensible number of cattle to bring about a gradual benign cycle in the breeding industry. The grasslands are the most basic material foundation for obtaining livestock products. As a result of the long emphasis on livestock and the lack of emphasis on grass in some areas that have blindly concentrated on numbers of livestock, plus excessive reclamation of land for farming, overgrazing, collection of fuel, and excessive gathering, the grasslands have receded and desertification has become serious. Today there is only 24 mu of usable grassland per head of livestock, an amount at the low end of the scale. Maintenance of this level will require that the number of livestock in inventory correspond to the ability of the grasslands to support them. Inasmuch as the number of livestock in inventory in 1989 exceeded the capacity of the grasslands to support them, in addition to the autonomous region's not very low command-style purchase prices paid for beef cattle, slaughter lambs and wool, the autonomous region will have to maintain command-style purchase prices at the 1989 level for the next two years. A proper lowering of the command-style purchase price of goat hair will permit the use of prices as an economic lever for making the number of livestock in inventory match the ability of the grasslands to support them.

Second, a rational livestock product price structure can promote a rational readjustment of livestock herds and the livestock product mix. "For example, semi-fine wool and premium native breed wool are important raw materials for the respective production of wool, and for blankets and rugs; however, output is now a long way from being able to supply the needs of woolen textile industry production. This is because of prices. Although semi-fine wool has a fairly high clean rate, the average annual per animal output of crude semi-fine wool is 17 percent lower than for fine wool. However, China has long exercised a same grade, same price policy for semi-fine wool and fine wool, using crude wool as the standard. This has meant that earnings from the production of semi-fine wool are approximately 45 percent lower than from fine wool. Wool yield from fine quality native sheep is only about 1.5 kilograms per sheep, while yield from improved fine hair sheep is about 5 kilograms of wool. Furthermore, prices for the wool and hide of the former are lower than for the latter. Consequently, many peasants and herdsmen do not want to raise semi-fine wool sheep and premium native breeds of sheep, which causes slow development of the autonomous region's semi-fine wool and premium native breed wool. Thus, structural readjustments must be made in prevailing livestock prices.

Third, rational prices can induce peasants and herdsmen to increase the rate of removal from inventory of stud cattle. In particular, improvement of the livestock product commodity rate through a reduction of the livestock death rate can increase the cash earnings of peasants and herdsmen. Statistics show that during the 30 years prior to the "Great Cultural Revolution," the autonomous region lost more than 71 million head of cattle, large and small, through death. During the past two years, however, despite a great drought and a region-wide snow disaster in the autonomous region, the livestock industry continues to develop steadily. In 1988, the livestock commodity rate for the region as a whole stood at 20.2 percent. This included a 16.4 percent commodity rate for large livestock, a 21.4 percent commodity rate for sheep and goats, a 91.6 percent commodity rate for fine hair, and a 38.3 percent commodity rate for hides of all kinds. One might say that the decline in the death rate, and the rise in the rate of removals from inventory and the commodity rate are closely associated with price orientation.

Fourth, equitable prices can cause peasants and herdsmen to improve livestock product quality. As a result of chaotic price controls during the past several years, adulteration and cheating have been serious when herdsmen sell their wool. This causes serious damage to precious wool resources. In 1989, the autonomous region people's government ruled that those involved in and those responsible for adulteration and deception when wool was purchased were to be held accountable. Prices for wool turned over to industry and business were to be figured at the clean wool rate. Thanks to the restructuring of prices, the quality of wool purchased revived to the all-time finest level.

Fifth, equitable prices can accurately regulate and safeguard the economic interests of all concerned, and play a role in a rational orientation.

## II. Progress and Problems in Inner Mongolia Livestock Products Price Reform

(A) The first stage of reform: During the period 1978 through 1983, a largely planned price control system was instituted. During this period the inequitable situation of overly low livestock product prices based on livestock product costs and state policy requirements, which had grown up for many years, was changed. Planned structural readjustments were made in long frozen livestock product prices.

One thing done was to make livestock product prices fairly consistent with value. Within a five year period, the overall procurement price index for livestock products in Inner Mongolia rose 28.5 percent (taking 1978 as 100). This included a readjustment of the procurement price of first quality goat hair douzhenghuo [2122 2197 6303] from 5.22 yuan per 500 grams in 1982 to 8.82 yuan in 1983 for a 68.97 percent increase. Procurement prices for beef cattle and slaughter lambs rose from 0.666

and 0.694 yuan per 500 grams in 1982 to 1.10 yuan and 0.914 yuan in 1983 in a 65.17 and 31.17 percent increase respectively.

Second was to make internal price parity relationships within the livestock product price system relatively equitable and well coordinated. For example, in 1979, the state revised regulations on differential prices paid for wool of different quality. Taking improved first grade fine wool at 100 percent for a procurement price of 2.13 yuan per 500 grams, the price paid for first grade fine wool was 114 percent at 2.43 yuan per 500 grams; the price paid for second grade fine wool was 107 percent at 2.28 yuan per 500 grams; the price paid for second grade fine wool was 91 percent at 1.94 yuan per 500 grams; and the price paid for improved mixed grade variegated wool was 66 percent at 1.41 yuan per 500 grams.

Third, economic interests between livestock product producing and marketing areas, between producing areas and producing enterprises, among all the circulation links, between higher and lower levels, among peasants and herdsmen and the state, and among producers, dealers, and consumers were worked out rather equitably to reduce conflicts.

Fourth was the equitable planning of livestock product prices based on livestock product costs, price parities and policy requirements under a price control system in which planned prices were primary and market regulation prices were supplementary. This enabled the coordinated and steady development of livestock product raw and processed material production and processing industries, avoiding large ups and downs.

The main problems were: (1) The livestock product centralized procurement and assigned procurement system restricted development of the commodity economy to a certain extent. Peasant and herdsman understanding of the commodity economy was fairly weak. (2) Prices of livestock products were controlled too much, too stringently, and too minutely, with the result that prices could not be flexibly and dynamically adjusted to reflect changes in the market supply and demand situation. (3) Since livestock product prices remained too low, the price scissors between livestock products and industrial wares that served as raw materials for livestock products was too large. The peasants' and herdsmen's standard of living improved rather slowly, and some backward local industries were protected to a certain extent.

(B) The second stage of reform. During the period 1984 through 1988, a two track price control system that featured removal of restrictions on prices was instituted for livestock products in the autonomous region.

During this stage, the autonomous region changed from national fixed prices to guidance prices except for beef and mutton, wool, and goat hair. In addition, price restrictions were completely removed on an overwhelming majority of livestock products, which were now completely regulated by the market. An exception

was cow's milk for which price control was delegated to leagues and cities. Prices of beef, mutton, wool, and goat hair were also increasingly liberalized.

The positive role these reforms played was primarily as follows: (1) They impelled the traditional livestock industry to begin to change into a modern livestock industry; to begin to change from a closed natural economy to an open commodity economy, the peasants' and herdsman's understanding of a commodity economy improving greatly (2) The manifold increase in livestock product prices stimulated the development of production. (3) With the manifold rise in prices of livestock products, peasant and herdsman income from the sale of animal products also increased rapidly, large numbers of peasants and herdsman getting out of poverty to take the road to riches. (4) The price scissors between livestock products and industrial wares that served as raw materials for livestock products gradually narrowed.

The main problems were: The autonomous region's ability to exercise macroeconomic regulation and control over livestock product prices was seriously weakened with the result that "wool wars" and "cattle and sheep wars" followed one after another. A "chaotic, high, and bogus" situation ensued. By "chaotic" is meant chaos in the circulation of commodities, with many dealers and people from everywhere getting involved. This opened opportunities for official and private profiteering, which damaged the social atmosphere and upset the normal market order. By "high" is meant a substantial loss of control over prices, and a blind increase in trading prices, which went beyond the tolerance of enterprises, consumers, and the state treasury, thereby placing the economy of the autonomous region in a passive situation. By "bogus" is meant serious adulteration and deception in the procurement of and business transactions involving livestock products, which caused the country tremendous economic losses. Second was the straight line rise in prices, which sent mistaken signals to producers, dealers, and consumers of livestock products. This caused them to make wrong decisions, which caused economic losses. Third, internal price parities for livestock products and equitable price parities between livestock products and agricultural products were substantially thrown into confusion, making coordinated and orderly development of the livestock product economy an impossibility. Fourth was abandonment of the historical body of national standards and the effective regulation system that had been shaped, and which included grade regulations and quality price differentials for the procurement of and dealings in livestock products. This abetted the odious practice of adulteration and deception.

Each of the aforementioned two stages of livestock product price reform had its advantages and disadvantages. During future practice, it will be necessary to summarize the lessons of experience diligently in order to deepen reform further.

### III. Inner Mongolia's Choice of a Livestock Products Price Control System

In reform of livestock product prices, we are faced with the following choice: whether to institute plan prices in which regulation is paramount, instituting market regulation for secondary products, thereby having an organically combined price control system, or whether to mindlessly remove all price restrictions in favor of complete market regulation.

The socialist economy is founded on a publicly owned planned commodity economy. It is not entirely a plan economy, nor is it entirely a market economy. Therefore, in reforming and opening up livestock product prices, we must let go in the sense that one lets go when "flying a kite," rather than "let things take their own course," not intervening at all. The degree to which we let things go will depend on the length of the "string," which will be determined by our macroeconomic regulation and control capabilities. Livestock product price reforms in Inner Mongolia during the past 5 years have been carried out primarily through "releasing" the restraints that hurt and undermine the old system. Practice has demonstrated that too drastic and too rapid weakening, or even abandonment, of the "visible hand" of plan regulation results in the "invisible hand" of the market mechanism being unable to play a smooth and orderly role. Quite the contrary. Because of the lack of a sound market and complete market regulations, the "invisible hand" becomes like "a wild horse that has slipped its harness"—very difficult to control. "Goat hair wars," "wool wars," and "cattle and sheep wars" occur frequently; all sorts of conflicts increase; and frictions intensify. Clearly plan and markets are not antagonistic, but rather complementary and organically linked.

The highly centralized and stiflingly controlled plan system that we formerly practiced with regard to livestock product prices was usually imagined to be very good, but two difficulties could not be resolved in practice. The first difficulty was information. No matter how accurate or how careful advance planning was done, because of the lack of information, when faced with myriad changes in the twinkling of an eye, plans were frequently divorced from reality. The second difficulty was interests. Certainly rigid planning can delineate in advance the interests and range of activity of all parties so as to avoid a waste of resources. However, it also solidifies the input-output expectations of livestock product producers, processors, and dealers. They hold out "iron rice bowls," and eat out of the "large common pot," enjoying sinecures without having to compete and without fearing elimination, which causes an even greater waste of resources.

On the basis of the foregoing analysis, and in view of the nature of the autonomous region's natural geography, economy, and people, as well as the different position of various livestock products in the autonomous region's economy and the livelihood of its people, it is suggested that all livestock products in the autonomous region be

divided into three major categories for purposes of control and guidance. In the first category is beef and mutton, wool, and goat hair. These are the three important staple raw and processed materials and important export goods, and the livestock products that are closely associated with consumers and that have substantial effect on the price index. Region-wide elastic plan prices, i.e., guidance prices, should be drawn up for them. These prices would serve primarily as economic levers to be supplemented by necessary administrative and legal intervention to ensure implementation. In the second category is principal raw materials for the dairy products industry, livestock products that have a close bearing on consumers in cities and the countryside, and a definite effect on the price index for which pricing may be delegated to individual leagues and cities for control and guidance. In the third category is other livestock products on which all price restrictions should be removed, allowing producers and dealers to reach a negotiated price. When prices rise or fall sharply, pricing units at the banner and county levels or above should effect required coordination, guidance, and control. Two track prices should not be applied again to any category of livestock products.

#### **IV. Main Principles for Drawing Up Inner Mongolian Livestock Product Guidance Prices**

The following principles should be followed when drawing up guidance prices for principal Inner Mongolian livestock products:

(A) When drawing up guidance prices for principal livestock products, prices must be consistent with requirements of the laws of value. They must be based on average social costs. Only in this way can they play a role in encouraging the frontrunners and goading the lag-guards, giving impetus to the steady development of productivity in the livestock industry. Under normal circumstances, livestock product prices should be higher than costs to enable producers to make a certain profit or net benefit, thereby enabling smooth expansion of reproduction in the livestock industry, and encouraging peasants and herdsman to provide the state more livestock products.

(B) When drawing up guidance prices for principal livestock products, full attention should be given to the laws of supply and demand. The laws of supply and demand are factors given full attention when we draw up and readjust livestock product prices. A ceiling price should be set for products for which the supply does not meet demand, and a floor price should be set for products for which the supply is greater than demand. For products for which supply and demand are roughly balanced, a near price should be adopted. A certain degree of upward and downward floating of prices should also be permitted to enable enterprises themselves to set livestock product procurement and sale prices between the ceiling and floor prices. In formulating the ceiling prices of principal livestock products, not only must supply of livestock products that is less

than demand be considered, but the ceiling should also be set in terms of state policy and the ability of all parties to bear and digest it. They should not be set solely on the basis of market prices. In setting floor prices for principal livestock products, livestock product production costs should be the basis, the livestock industry tax being added.

(C) When drawing up guidance prices for principal livestock products, every effort should be made to take into consideration the economic interests of all parties concerned. Specifically, this means:

First, the economic interests of livestock product producers must be protected. Livestock product prices should help spur development of productivity in the livestock industry; help advance steady improvement of the peasant and herdsman standard of living and production conditions through steady development of production; and strictly control rise in prices of the means of livestock industry production and the basic means of livelihood of peasants and herdsman, preventing livestock product production costs from rising in a straight line. In addition, wrong methods in the livestock product circulation realm such as prodding producers when supply is down and cutting off producers when supply is up, halting or refusing to accept livestock products from producers, and downgrading and downpricing livestock products.

Second, the ability of processing industries to digest livestock products must be taken into consideration. Should procurement and sale prices of livestock products rise too sharply, without attendant rise in the sale price of finished products, enterprises will sustain losses or halt production. If the rise in prices of finished products exceeds consumers' ability to stand the increase, processing enterprises will likewise end up in difficulties. In particular, when the price of goat hair, which is used primarily to earn foreign exchange through exports, is too high, competitiveness in international markets will be lost. Once the superior position of products for which the region's livestock products provide raw materials is lost, it will be impossible to take advantage of the region's superiority in livestock product resources.

Third, consumers' capacity must be taken into consideration. Livestock products and finished goods made from them ultimately become consumer goods used in the daily life of the people. If prices are too high, exceeding consumers' ability to pay them, slack sales and a shriveling of markets will result, which will ultimately redound on the production of livestock products.

Fourth, the enthusiasm of enterprises dealing in livestock products has to be taken into account. State-owned cooperative businesses are the main enterprises dealing in livestock products. They shoulder responsibility for ensuring supply and keeping prices in check. Therefore, in planning guidance prices and procurement and sale price differentials for principal livestock products, we

must help the unimpeded flow of products through main channels and steadily improve market competitiveness.

Fifth, the national treasury's ability to bear burdens must be taken into consideration. In a socialist society, government finance is the country's principal lever for distribution. It is one of the foundations and prerequisites for price readjustments. In order to protect the stability of market sale prices and the livelihood of staff members and workers when making a comprehensive major increase in livestock product procurement and sale prices, the state usually provides large financial subsidies to enterprises that suffer losses as a result, and it provides non-staple food price subsidies to staff members and workers. These subsidies are bound to increase the states's financial outlays. Non-staple food subsidies for staff members and workers in enterprises are usually figured into product cost. This plus the rise in prices of raw and processed materials inevitably produces a rise in costs of finished products that use livestock products as raw materials. If sale prices are not increased, ultimately the amount of profits and taxes that enterprises pay the treasury are bound to decline. Therefore, in readjusting and reforming livestock product prices, the principle of acting within capabilities must be adhered to. This is one of our basic experiences.

#### **Qinghai Agricultural Bank Saving Deposits, Loans**

*HK2801122491 Xining Qinghai Provincial Service in Mandarin 2300 GMT 23 Jan 91*

[Text] Last year saving deposits of the provincial Agricultural Bank and Rural Credit Cooperative topped 1.3 billion yuan, and loans they provided reached 1.18

billion yuan or, an increase of 11.8 and 15.8 percent respectively. On the basis of enlivening the use of funds, they readjusted the credit structure last year, and regarded their support for stable and higher production of agriculture and animal husbandry as their central task. The proportion of their loans for agriculture was 4.9 percent higher than 1989. Agricultural loans for good harvest planning, transforming medium or low-yield land, and popularizing improved variety of seeds accounted for more than 70 percent.

In 1989, they provided loans for poor areas in a sum of 113 million yuan or so, and helped 160,000 peasant households solve their difficulties in production and livelihood in terms of funds. In view of the fact that the quantity of agricultural and sideline products purchased last year was large, and that they were purchased in a more concentrated way, various agricultural banks did well in making earlier forecasts, and raised funds through various channels to provide funds promptly. In the whole year, the amount of loans provided for purchasing agricultural and sideline products reached over 360 million yuan. Agricultural Banks at all levels throughout the province also flexibly use the credit level to help grassroots credit departments readjust their stock to purchase marketable goods. They provided accumulated commercial loans in a sum of 377 million yuan or so for the whole year. In addition, they provided loans in a sum of 179 million yuan for industry, township and town enterprises, and technical transformation, which forcefully supported stable development of enterprises, local industry in areas inhabited by minority nationalities, and township and town enterprises.

### Profile of Supreme Court Justice Duan Musheng

91CM0119A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 218, 16 Nov 90  
pp 24-26

[Article by Leng Mu (0397 4188): "Western Doctor Takes Up the Post of Vice President of the Supreme Court—Duan Muzheng's Tortuous Road"]

[Text] The watershed of Doctor Duan Muzheng's [4551 2606 2973] career was 15 October 1990. On this morning, he and his wife woke up earlier than usual and ate breakfast at the Beijing Jingxi Hotel where they were staying temporarily. After his wife draped a dark gray Western-style jacket over his shoulders, he bent over his desk as a habit and wrote some things while waiting for a special car to take him to the Supreme Court of China where he will officially begin work.

It was his first day of work as vice president of the Supreme People's Court of China.

On 7 September 1990 when Professor Duan Muzheng of the Law Department of Zhongshan University received the letter of appointment as "vice president of the Supreme People's Court of the People's Republic of China," he wondered how his friends would think of him. Shortly after, he received a letter from his friends at the Swiss Institute of Comparative Law. They congratulated him on giving up teaching to take up a government post. In the letter of congratulations, Professor Weng Songran [5040 2646 3595] of Hong Kong's Chinese University and Mr. Zhang Xin [1728 9515] urged him to "handle cases impartially."

Seventy years ago, Duan Muzheng was born in a Hui family in Beijing.

His ancestors came from Anqing City of Anhui Province. He seldom talks about his parents. He even says he used to be a poor student. But the truth is that although Duan Muzheng is not a descendant of a general, he is from the family of a famous official. During the War of Resistance Against Japanese Aggression, his father Duan Mujie [4551 2606 2638] served as deputy director of the Rear Service Department of the Military Commission of the Kuomintang government and had frequent meetings and contacts with Chinese Communist leader Zhou Enlai. In 1949 Duan Mujie, who was minister of transportation in the Kuomintang government participated in the "Lianghang uprising."

After establishment of the Chinese Communist government, under the protection of Zhou Enlai, Duan Mujie, who had been staying in Hong Kong, returned to the mainland and served as member on the second, third, and fourth national committees of the Chinese People's Political Consultative Conference. He died of illness in 1972.

During his youth, Duan Muzheng studied law at Wuhan and Qinghua Universities under famous personages in China's legal circles, including Zhou Gengsheng [0719

7643 3932], Li Haopei [2621 3185 1014], Wang Tieya [3769 6993 1509], Zhang Xiruo [1728 1153 5387], Qian Duansheng [6929 4551 0581], and Shao Xunke [6730 1789 1870]. Of these scholars only Li Haopei and Wang Tieya are still living. After graduation, Duan Muzheng went to France to study for a doctorate degree in law. After graduation, he returned to Mainland China and stood with the Communist Party of China through thick and thin.

In the early 1950's, Duan Muzheng's father and younger brother both joined the Kuomintang Revolutionary Committee. But Duan Muzheng did not follow suit, he alone joined the China Democratic League.

The China Democratic League gathered a large number of elites from the legal circle of China. Duan Muzheng recently talked more than once of Shen Junru [3088 6874 0320] and Shi Liang [0670 5328], late chairmen of the China Democratic League. Shen Junru and Shi Liang served respectively as first president of the Supreme Court of the CPC government and first minister of justice. In the mid 1980's, six of the 36 mainland members of the Hong Kong Basic Law Drafting Committee, including Duan Muzheng himself, belonged to the China Democratic League.

Duan Muzheng has taught at Lingnan and Zhongshan Universities. In the past 40 years, he published, by himself or with others, 17 books on law and history and over 50 theses and translated articles. He is fluent in French. His name and story have been included in the *Collection of the World's Famous French-Speaking People*, which was published by France.

He sighs when he speaks of his past, but he is always positive about his future. In 1980, when Duan Muzheng was appointed dean of the Law Department of Zhongshan University, the election of delegates to the People's Congress was going on in China. With popular confidence, he was elected as the People's Congress delegate from Zhuhai District of Guangzhou City. Three years later, he was elected delegate and Standing Committee member of the Guangdong Provincial People's Congress. In 1985 he was appointed as an expert by the National People's Congress to the Hong Kong Basic Law Drafting Committee. In 1988, he was elected vice chairman of the Guangdong Provincial People's Congress and delegate to the National People's Congress.

In 1990 when the CPC was recruiting members of democratic parties to join the government, the China Democratic League nominated Duan Muzheng, who stood out in the crowd. In his seventies, Duan Muzheng attracted people's attention as one of the second groups of democratic party members recruited by the CPC. During Duan Muzheng's nomination for the appointment, the president of the Supreme People's Court Ren Jianxin [0117 1696 2450] made the following appraisal of him: Fluent in three languages—French, English, and

Russian—enjoys a certain reputation in legal circles at home and abroad, supports the CPC, and cherishes socialism.

Duan Muzheng said that he did not know Ren Jianxin very well. He only met him at the International Law Society of China. Ren Jianxin once served as vice president of that society. Duan Muzheng feels that his nomination by president Ren shows that Ren trusts him.

Duan Muzheng has white hair, ruddy complexion, and scholarly demeanor. When he mentioned senior Shen Junru to me, he said humbly: "I am afraid that my work is not as good as his." Shen Junru was the first of the "seven gentlemen" and had rich political experience and worked many years as a lawyer. Especially in experience in law enforcement, Duan Muzheng said, "I cannot compare to him. I am only a teacher."

However, Duan Muzheng thinks that the time and environment of law enforcement today are much different from those Shen was in. In the early 1950's, the legislation of Mainland China was still in the embryonic stage. The first constitution was not published until 1959. Now that law has been continuously perfected, the task of law enforcement is much more complicated than at that time. After the reform and opening up, cases involving foreign nationals increased continuously and domestic economic disputes and administrative proceedings also increased substantially. In the past, "no law to observe" was an outstanding problem. Now "laws not observed" has become another outstanding problem.

Duan Muzheng spoke without reservation: Leaders, the public, and law enforcement personnel are all responsible for the fact that laws are not observed or enforced strictly. For instance, the state has formulated many rules and regulations to improve the foreign investment environment, but if enforcement is poor, it will give the outside a bad impression. Years of experience and lessons show that we need to improve the quality of judges and trials. Duan Muzheng revealed that the Supreme Court now has an advanced justice training center, which will play a role in this regard.

When Duan Muzheng was appointed vice president of the Supreme Court by the National People's Congress on 7 September 1990, no one mentioned the term of office. His personal guess is that his term will probably expire when President Ren Jianxin's term expires in 1993. He hopes to do his best in his limited term of office to contribute to the training of advanced justice and raising the standards of law enforcement personnel.

Duan Muzheng told me the night before he started his new job that he is in charge of "his line of work" such as cases involving foreign nationals, foreign exchanges, and foreign affairs activities.

Duan Muzheng, who has been a scholar for 40 years, is a noted expert on international law in China. He said that his passion for China made him choose international law as his major. He said, "To become prosperous and

strong, China cannot do away with the legal system and rule by law. In modern history China was bullied by foreign countries and forced to sign one unfair treaty of national betrayal and humiliation after another. China's international status did not improve until it became a victorious nation after World War II. But at that time China's political status did not match its international status. Protecting a country's interest and status in the international community requires a large number of experts of international law."

Duan Muzheng has long worked in Guangzhou. He has met and received many friends from legal circles in Hong Kong, Macao, and foreign countries. He loves friends. He entertains all his friends at home, so "many foreign activities are held in his house." Because he has many contacts with Hong Kong friends, he is also well known in the legal and academic circles of Hong Kong.

In the past 10 years, while working as the dean of the Law Department of Zhongshan University and director of the Institute of Law, he was invited to France, the Netherlands, Italy, Switzerland, Germany, the United States, and Hong Kong to visit friends, give lectures, or attend seminars. Through such activities, he updated his knowledge, understood recent law developments abroad, and made many friends.

To be able to accomplish what he has accomplished today as a "Western doctor" and a democratic party member, Duan Muzheng must really know what he is doing. In the early 1950's, he had to choose whether or not to leave France and return to China. He studied bourgeois law and he did not know whether it would be useful in Mainland China, which was led by the Communist Party. Duan Muzheng's classmates had all kinds of misgivings at the time. But Duan Muzheng had a greater vision than his fellow student: "Our country must uphold the legal system. After we law students return to our country, we will not automatically copy Western ideas. If we closely combine what we learned with China's reality, it will have some use."

In 1953, after the Law Department of Zhongshan University where he was teaching was dismantled, he was transferred to the History Department. After that, wearing the two labels of rightist and counterrevolutionary academic representative, he devoted himself to the study of history. His wife, Jiang Ning [1203 0413], who worked at the Zhongshan University library, provided him with much historical data, and he soon became an expert in history. He still is an honorary chairman of the China Society of French History.

Generally it is not easy for a democratic party personage to work in a high-ranking position of the CPC. Duan Muzheng, however, said that so far none of his friends has worried about whether he can do his job smoothly in the future. He himself feels that there will be no problem in this regard because he joined the government as an individual member not as a representative of a democratic party and he will not do anything different from

what the CPC would do. He said that "everybody will do things according to law." Besides, he is experienced in cooperating with the CPC. He has cooperated with the CPC for many years as chairman of the China Democratic League of Zhongshan University and Guangdong Province.

### **Ideological Work Strengthened in Rural Villages**

91CM0163A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 11, 15 Nov 90 pp 53-56

[Article by Xu Hanliang (1776 3552 5328), Shanghai Municipal CPC Committee of Songjiang County; Xi Ling (6007 1545), responsible editor: "A Fruitful Attempt To Strengthen Grassroots Political Ideological Work in Rural Villages—A Look at Songjiang County's Establishment of a New Mechanism of Political Ideological Work"]

[Text] How are we to strengthen grassroots political ideological work in rural villages in a practical and effective way under these new historical conditions of liberalized reforms? This is the difficult challenge that confronts the cadres of our counties and towns, a challenge crying out to be explored and resolved. Here in Songjiang County we have, since October of last year, attempted to establish a new mechanism for grassroots political ideological work in our rural villages in accordance with actual conditions and founded on investigation and research in a way that conforms to the spirit of the party Central Committee's call for stronger peasant education. Furthermore, in January of this year we launched a countywide campaign in all towns and villages to explore new ways to strengthen grassroots political ideological work given the new conditions we now live under.

#### **I. Creation of the New Mechanism**

In recent years the actual work in our rural villages has been beset by numerous perplexing problems. Why is it that, as economic development has accelerated and the living conditions of the people have improved, the people's complaints have not lessened? Why is it that, as the people have acquired more cash, the burden has seemed to grow heavier on the interests of the individual? Last year, we went to the grassroots rural villages and asked the people to answer these questions for us. Our investigation revealed that, aside from certain ideological problems caused by real, objective issues such as the direction of the party, commodity prices, and the buying and selling of agricultural by-products, a fundamental reason for this state of affairs is that grassroots ideological work was weak. Political education was given only to cadres, and the masses were neglected, with the result that we had "a broken line" type of situation. I will now point to the major causes of this:

**First, the village product structures and management systems underwent massive changes, which made it difficult for the existing system of political education work to**

**play its role.** As a result of 10 years of reform, the rise of agricultural town and village industry, the development of sideline production, and the opening up of third-tier production, agricultural by-product industries and enterprises have sprung up like mushrooms in the towns and villages, and a huge agricultural labor force has gravitated toward the enterprises and other areas of society. With the promotion of the production-linked system of contracting in agricultural households, the first-tier management system functions have been greatly weakened for a huge portion of our production teams, and for some they have nearly disintegrated. Although we retained the first-tier production team organizations, their functions were drastically reduced, and it became difficult to carry out the tasks of disseminating propaganda and education to the masses. And with diversified production structures, multiple economic organizations, endless varieties of management styles, and operators all over the place, it became difficult for first-tier village party organizations to proceed directly with their job of political education for the broad masses. This is a main reason for the resulting "broken line" in grassroots political and ideological education at the village level.

**Second, some village cadres have deemphasized the guiding ideology in their work, with the result that it became difficult for political ideological work to assume its rightful position.** In the last couple of years, generally speaking, more and more party and government cadres have attached importance to political ideological work. However, party and government cadres in some town and village enterprises have tended to neglect political ideological work to varying extents, viewing economic work as the real task demanding skill and effort while viewing political ideological work as a task to keep up for the sake of appearances. In their minds, economic work is the hard job, while ideological work is the soft task. Biased ideological understanding leads to errors in work. Indeed, this imbalanced partiality toward economic work still exists, especially among certain cadres in enterprises who work frantically to keep up production, take care of supply and marketing, and proceed with development, and have no time to attend to the political ideological education of the workers. They are poor at getting increased production from their workers through political ideological education. Instead, they are accustomed to employing economic means to manage their workers and their enterprises. Herein lies another main reason for the "broken line" in grassroots political education at the village level and for the weakness of ideological work.

**Third, the political and cultural quality of some grassroots cadres at the village level is fairly low, and this makes it hard for them to carry out their duties in political ideological education.** In recent years, we have seen a strengthened establishment of second-tier party and government teams at the town and village level, which has led to a marked increase in the quality of first-tier party and government cadres at the town and village level. But, comparatively speaking, the cultural and political



quality of some cadres in village-run enterprises and production teams remains somewhat deficient. There is still a certain preponderance of "good-old-boy farmers" acting as team leaders who do possess certain experience with administrative work, but who, on the whole, "can barely write their own names" and who are hardly qualified to take charge of political ideological work. Most cadres in town and village enterprises are production management-type cadres who are not skilled in political ideological work. At the same time, the earlier, lopsided thinking that sought to stimulate the economy and make use of capable persons has resulted in the minority of politically and ideologically deficient persons assuming leadership posts in our enterprises. These persons are also not capable of carrying out the duties of propaganda and mass education. This properly may be labeled the third cause of the "broken line" in grassroots political education and weakened ideological work.

**Fourth, glitches in the grassroots political ideological work system have robbed our political ideological work of its developmental staying power.** I should point out that a lot of work in propaganda and education has been done in recent years, and many educational activities, rich in content and varied in form, have taken place. However, the usual pattern has been "rumblings at the top, slackness in the middle, and a void at the bottom." One of the major reasons for this is that our grassroots educational system has been flawed, duties have not been made clear, work has not been checked, good and bad performances have been treated equally, people have been free to do however much they want, standards have been lacking, supervision has been absent, and clearly this can be pointed to as the fourth reason for the "broken line" in grassroots political education and the weakness of ideological work.

The above analysis of causes leads us to recognize the need to have political ideological work rooted at the lowest levels and directed toward the masses, and it points to the fact that standardized content and form for mass education will not suffice. What is more important is that we have an educational mechanism. That is to say, if we are to effectively develop political education and ideological work at the grassroots level of rural villages, then we must establish a new political ideological work mechanism that fits in with the management and administrative systems now being employed in the rural villages.

## II. The Elements of the New Mechanism

The type of political ideological work mechanism that we establish is related to the key issue of whether we can resolve the problems of the "broken line" in rural grassroots political education and the weak grassroots ideological work. We have, by carrying out the explorations and addressing the practices that were pointed out above, gradually created a new political ideological work mechanism that is well organized, that establishes teams, that is systematic, and that allows for inspection checks.

Although the practices in various towns may differ, the basic elements of the mechanism are consistent, and are as follows:

**1. The establishment of educational organizations.** Mass educational organizations have been established in all of the towns, villages, and teams throughout the county so as to provide stronger guidance to mass political ideological education. The towns have established political ideological education leadership groups comprised of party committee and government members, members of relevant departments, and heads of industry, youth, and women's groups, with the deputy secretary of the party committee acting as group chief. The leadership groups, acting under the unified leadership of the party committee, are responsible for studying, assigning, guiding, and effectuating grassroots political education and ideological work. Correspondingly, the villages have established educational leadership groups comprised of village branch party committee members, farmer's party committee members, and line cadres, with the secretary of the branch party committee as group chief. These leadership groups, acting under the unified leadership of the village branch party committee, are specifically tasked with developing political education and guiding the responsible territories in their political ideological work. Also, every township enterprise has correspondingly established employee education leadership groups comprised of responsible administrators, branch party committee members, and line cadres, with the secretary of the branch party committee as group chief. These groups are specifically tasked with political education and with launching frequent political ideological work in coordination with the party, government, industry, and other groups.

**2. The division of educational territories.** Each town has divided up territories of political ideological work responsibility, determined the scope of the work, and clearly assigned work responsibilities based on the actual situations of village economic organizations and labor distribution so as to enable political ideological work to truly reach the grassroots level. Similarly, township enterprises have divided territories of responsibility on a workshop or team basis, and villages have parceled out responsibility on the basis of production teams, natural villages, and village enterprises. The responsibility territories are the central links in the party organization's efforts to deliver political ideological education to the masses, as well as being the real front line in the party and government cadres' efforts to strengthen day-to-day political ideological work. Not only must all members within the territory receive regularly scheduled education, but daily political ideological work must also be carried out in a way that involves the central work of the party and the work goals of each individual unit.

**3. Strengthened ranks of political workers.** Every responsibility territory has installed a political instructor so as to ensure the regular development of the political education and ideological work in the territory. All instructors take on this duty in addition to their regular jobs,

and whenever grassroots administrative leaders are suitable for the job, they are so chosen, but if they are not suitable, another person is assigned to the post. The selection of a political instructor must pass muster with the examination department of the party committee, with the desired qualities being political fitness, possession of a certain level of cultural knowledge, and the ability to get things done. Formal appointments are made by the party committee. The political instructors are tasked with keeping apprised of ideological trends among the masses, providing feedback of all sorts of information, organizing and effectuating education for all members of the responsibility territory, and looking after the daily political ideological work of the masses. The 10,000-odd political instructors throughout the county are a vital political work force for party organizations at all levels. Some towns have provided full-time political work cadres to units at the level of party branch committee or above to make sure everyone is educated. These cadres gather information about how mass education is coming along, they compile materials, and they check on and supervise work.

**4. The formulation of systems for education.** To ensure the developmental staying power of political education and ideological work, it was necessary for us to clearly set out the scope and duties of work at each organizational level and to establish and perfect effective systems for education. The party organizations of every town and village have set up work systems; regularly scheduled meetings are held and political education and ideological work is studied and assigned. Town party committees meet quarterly, and party branch committees meet every two months. The political ideological education leadership groups of towns, villages, and enterprises hold regular meetings where they study and assign material for education, check up on how education is going, and give guidance on specific items of work. All villages and enterprises have set up systems for educating all of their members that require meetings once a month to provide political ideological education to the broad masses so that political ideological work might truly reach the mass level. Some towns have also formulated rules for the work of their political instructors which lay out the work missions and scope of duties for the instructors. Furthermore, there has been widespread development of training work for political instructors which has led to continual improvements in their work standards.

**5. The practice of responsibility checks.** A three-tier system of examination and checks has been set up by the county, towns, and villages to promote the normal operation of the mass education mechanism and to ensure that the anticipated results are achieved. In this system, every six months the county does a one-time check on the educational work being carried out by the towns, the towns do a quarterly, one-time check on the educational work being carried out by the villages and enterprises, and the villages and enterprises do a monthly, one-time check on the work of the political instructors in the responsibility territories. All responsibility territories

have instituted a "three registers and one accounting log" system that keeps a record of mass education activities to provide a basis upon which their work may be examined. Work is checked for both quantity and effectiveness, and the results of the examinations can affect the bonuses and appointments of the cadres.

Establishment of the education mechanism is a primary task in the effort to strengthen grassroots political ideological work. Only by performing this task well could we launch and create conditions and set a foundation for bringing constant, lasting education to the broad masses.

### III. The Effects of the New Mechanism

After six months of practice, we feel that the new mechanism of political ideological work is basically suited to the actual grassroots conditions in the villages and that it is an effective way to strengthen grassroots political ideological work in rural villages today. Based on an analysis of the conditions in the majority of units after the new mechanism went into operation, we can say that the effects have been fairly good.

**First, it has promoted constant development in political ideological work, and it has remedied the "broken line" in grassroots political education.** The new mechanism of education is a powerful promoter of political ideological work development by town and village cadres. The perfection of the three tiers of town, village, and enterprise educational organizations, the division of educational territories, and the formulation of the educational work systems have created beneficial conditions for regular educational sessions for all members concerned. Mass meetings, not seen for many years, are on the return, bringing education directly to the broad masses and solving the old problem of the "broken line" in political education. And, the establishment of responsibility territories, the installation of political instructors, and the setting out of work duties have laid down foundations for strengthened daily political ideological work, making a "hard" mission out of it where it used to be considered a "soft" task. The sense of responsibility and the degree of awareness on the part of many grassroots cadres has grown with respect to political ideological work, thereby advancing the constant development of grassroots political ideological work.

**Second, it has brought the party and the masses in closer contact and improved relations between cadres and the masses.** The establishment of the new mechanism of education allows more party and government cadres to penetrate into the grassroots, understand mass thought, look after people's lives, and help the masses solve problems. Instructors in many responsibility territories have visited homes, had heart-to-heart talks, and done other types of thorough, painstaking political ideological work, thereby increasing the contacts between cadres and the masses. Numerous grassroots cadres have reported that the people became more even-tempered and administrative work went better once political ideological work was strengthened. We are now seeing fewer

cases where grassroots units "use fines to educate," and the once popular situation whereby "cadres relied on cash to manage the masses, and the masses looked to the 'powerful, united' cadres to do the work" is now changing. The role of the grassroots branch party committee as a battle fortress is being given greater play, party organizations are continually enjoying greater abilities to unite and appeal to the masses, party-member cadres are enjoying greater prestige in the eyes of the people, and relations between the party and the masses and between cadres and the masses are improving further.

**Third, it has heightened the ideological awareness of the masses and advanced all current work items.** Regular mass education and conscientiously strengthened political ideological work have somewhat raised the ideological awareness and altered the spiritual state of the masses. Gradually we are seeing fewer cases of "with money and food, I have no need to depend on you; if a problem arises I'll come look for you; if you cannot solve the problem I'll curse you" as was common in the past. We are seeing a stronger "can do" attitude where, if the collective has a problem, individuals chip in and do their part to solve it. In production, we are hearing more and more reasonable proposals from the masses, and in the area of work, more and more people are taking the initiative to tackle urgent, difficult, or important jobs. The changed spiritual outlook of the people and their higher enthusiasm for production has advanced the smooth development of economic construction and items of work in the rural villages.

**Fourth, it has tempered the grassroots cadre ranks and trained them for greater stamina.** Strengthened political ideological work at the grassroots level has provided a broader platform for cadre growth. The development of mass education and the stronger political ideological work has further established the guiding work ideology of "taking care of both business and political ideological work" among the grassroots village, team, and enterprise cadres, and it has increased their awareness with regard to doing a good job of political ideological work. Work duties and requirements and the spurring on of administrative cadres to master the jobs of mass work and political ideological work have gradually taught administrative cadres, who used to spend their whole days devoted to production, sales, marketing, and development, how to "take care of both business and political ideological work." And in particular, political instructors in the responsibility territories have rapidly improved their quality and raised their competence through the practice of developing mass education and daily political ideological work.

Granted, the new political ideological work mechanism in our county has not been long established, in some towns the educational activities have not been going on very long, and many problems are still to be encountered in the exploration process. We must continue to explore, sum up, and improve our practices, gradually establish a new political ideological work mechanism that suits the

actual conditions in our rural villages, and see to it that grassroots political ideological work in our rural villages truly becomes a reality.

### Students Seen Bored, Spiritually Lost

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[CHINESE YOUTH] in Chinese No 10, Oct 90  
pp 33-34

["Conversation" edited by Wang Guoqi (3769 0948 3825) and Liu Shetang (0491 4357 1016): "Out of the Desert of the Heart"]

[Text] Like sunflowers that always turn towards the sun, youths persistently explore answers about society and themselves. We publish here a conversation between a young teacher and a college student on the issue of youth.—The editors

Student: Since I entered college, I have always been deeply concerned about one question. I found that some people in my age group have contracted a "disease": they have inadequate motivation for studying and working. They are listless all day long, and seem to see through everything despite their young ages.

Teacher: I have also been concerned about this question. It's interesting, you know. During the past few days I have been chatting with freshman students. I asked them how they felt about their college life over the past year, and they responded, "It was boring."

Student: You could say that the shadow of "boredom" lingers around campuses to a certain extent. Since it is "boring" and "unexciting," they just let the horse roam along, "following its inclinations," and they "hold tightly to the hand of their dreams." They kill time with the "3 September Academic Society" (sleeping in until nine in the morning and napping after lunch until three in the afternoon), "studying" (smoking and drinking) the "54th document" (playing cards), and "going to construction sites to rake bricks for repairing the Great Wall" (mahjong). If they are unable to pass exams, they simply cheat.

Teacher: What you said of the "boredom" mentality exists not only among some college students, but also among some young workers and peasants. However, the phenomenon is more visible among college students. I used to talk with some young workers. They said that they had no drive to do anything now. When they listened to Li Yanjie's [2621 3601 2638] speech, they felt their blood stir, and they vowed to make an all-out effort to work at something. However, once they returned to their factory, their blood gradually turned cold.

Student: Such a mentality among youths should draw the attention of educators. Since reform and opening up, China has provided youths with more opportunities than before, and the whole nation has placed great hopes in its youth. China's fast progress demands that the millions of youths display their wisdom and talents. Youths used to

cheer over the opening of China's gateway and over reform and opening up, and they "formulated plans for China's direction and made proposals" for the fate of the nation. Why are some youths complaining of "boredom"?

Teacher: That is a very good question. A "bored" mentality is a manifestation of losing oneself. Everyone has felt lost psychologically. In daily life, feeling slightly lost is a trivial matter. But in China, which urgently needs to catch up with other countries, when some youths feel lost, then the problem does not concern merely the educators; the whole society should consider the problem and pay attention to it.

Student: Why do the young develop a "bored" mentality? How should we evaluate it? And how should we get out of such a negative mentality?

Teacher: Life brings us difficult questions; life also provides us with the keys to these questions. The solution to the youths' problem lies hidden in the China's current, complex social life. I have heard that you have thought about this question for a long time, haven't you?

Student: Regarding this mentality among youths, many theoretical workers, educational workers, and some young people in various occupations have given their valuable opinions. As a college student, they benefit me a great deal. I think that if we examine the problem from the angle of an individual's social psychology, we see that one of the major reasons such a mentality develops is because of the weakening of the reward system. The system provides no impetus or driving force for youths to advance. How can you expect automobiles to climb a series of steep mountains without fuel?

Ten years of reform have brought great achievements. However, because of time constraints, many problems have been merely touched on. People's appetites have been whetted, but there is no way to fulfill them in the near future. For instance, there are problems concerning equalitarianism, unequal social distribution, and the lack of fair competition, etc. In many enterprises and administrative organizations, there is little differentiation between good and bad work performance. Some people fool around all day, not carrying about the several yuan that is deducted from their pay. Instead, they feel pretty justified, saying, "We have socialism, and who can do anything to me, anyway?" In certain spheres of social life, unhealthy trends prevail, so that connections are favored over talent. The saying "mastering math, science, and chemistry is not as good as having a powerful father" is still marketable. Under these circumstances, some young people become cynical, simply drift with the tide, or resign themselves to mediocrity.

There are social and environmental causes for the weakening of the reward system, as well as causes among the youths themselves. The reward system mainly includes needs and motives. Needs are transformed into motives, which define individual behaviors. If the needs cannot be fulfilled, the motives will diminish and disappear.

Society should try to satisfy youths' needs. All of their needs, however, are not reasonable or realistic. Even if they are justified, they cannot be fulfilled in one stroke by society. Take the following metaphor as an example: Needs are like groups of passengers waiting in the waiting room. Each passenger has to show a ticket in order to check in. One cannot enter the station until identified as a passenger. Once inside, the passengers still have to line up and board the train in an orderly way. If the train is overloaded, some passengers will have to wait or stand on board the train. Therefore, before setting the sails of life, youths should actively evaluate the feasibility of their needs. Some youngsters close in on themselves, and do not see the nation's condition or consider society's needs. Instead, they exclusively emphasize individual needs. Also, the more needs one has and the more urgent one's needs are, the less likely it is that they will be fulfilled in real life. Thus one's feeling of being lost will be even stronger.

I believe young people must coordinate their needs with those of society if they are to strengthen the efficacy of life's reward system.

Teacher: I agree with you. It is true that there are unsatisfactory elements in the social environment. But if we all are preoccupied with the mentality of "boredom" and look at ourselves and laments our lots, then the unsatisfactory elements will remain as they are.

I think there is another important reason for the development of this mentality among youths: the value system is pretty confused. A value is a person's general concept and evaluation of the meaning and importance of other people and matters. A value is relatively stable, and yet it also changes constantly. Reform and opening up led to tremendous changes in the values held by Chinese people. These include conflicts between values based on a natural economic foundation and those based on a commercial economic foundation; collisions between Western social values and China's traditional values; and value conflicts due to generation gaps. These conflicts and collisions cannot help but be reflected in youths, who are the most sensitive to change and the most eager to experience it. The dazzling social life, various and specious theories, and debates in which each side holds to its own arguments perplex youths. They do not know which way to go, are puzzled, and feel that "life is like a bunch of tangled hemp." They think about things repeatedly, yet cannot resolve things. Thus youths find no purpose in life and feel that everything is "boring and uninteresting."

Making a value judgment is a process of social comparison. Values are always manifested in people's social interactions. If present society does not truly solve the problem of respecting knowledge and talent, young intellectuals will inevitably develop a self-negating consciousness. If present honest labor and sweating away at work are belittled or ridiculed, young workers will also feel

lost. The rationale is simple: in your pursuit of something that lacks value in social life, is there anything "interesting" to speak of?

Student: I admit that the "boredom" psychology is a negative state of mind. It is detrimental to China's construction and reform and is disadvantageous to the growth of youths. But I won't equate it to Laozi's and Zhuangzi's doctrine of passively letting things take their own course. Deep underneath the "boredom," we may find youths' ideals that are intense and strong and yet they cannot be quickly realized. Behind the mask of indifference there is still youthful blood and a warm heart. I have here materials from an investigatory report that was conducted jointly by the Central Committee of the Communist Youth League and the CPPCC. The report points out that 89.48 percent of the youths want to actively take part in reform. The most urgent aspiration of the majority of youths is to find a position in which they can display their specialties. Also, Shanghai's QINGNIAN BAO and 20 universities in Shanghai initiated a campaign to "elect youths that were outstanding in our hearts in the 1980's." Zhang Haidi [1728 3189 6611], Shi Guangzhu [0670 0342 2691], Guan Guangmei [7070 1639 2734], and several others were on the list of contemporary outstanding youths. We see from this that the fires of youth are not extinguished.

Teacher: I have also read that report in the journal ZHONGGUO QINGNIAN [CHINA YOUTH]. I particularly noticed the slogan proposed by Shanghai college students—rebuilding our spiritual homeland—of which I greatly approve. Present times call to youths to leave the deserts of their hearts and rebuild our spiritual homeland. It is the characteristic of youth to always weed through the old to bring forth the new. The image of contemporary youth will not be a simple imitation of the previous generation. Only by resolutely throwing themselves into reform practices, daring to explore, and boldly creating can youths find a spiritual home.

It is necessary to find the right path for rebuilding our spiritual homeland. In the past, under the guidance of Marxism and Leninism, Li Dazhao, Mao Zedong, and other exuberant youths eventually transformed socialist ideals into reality in China by integrating workers and peasants and combining theory with practice. Today, under the leadership of the CPC, our youths will surely be able to carry forward the past mission and forge ahead into the future, exploring and searching for a new path that leads to a prosperous, just, democratic, and highly efficient socialism.

Life's common sense tells us that we are likely to fall if we bow our heads or stare at the sky while walking. During the long process of exploring and searching, we should hold onto a grand goal, face national conditions, and march forward earnestly, step by step.

### Minority Nationality Cadres Claim Enhanced Roles

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15 Dec 90 p 1

[Article by Hao Jianjun (6787 1696 6511): "Inner Mongolia Military District Energetically Trains Minority Nationality Cadres for Assignment"]

[Text] The Inner Mongolia Military District has scored outstanding achievements through diligent implementation of party nationalities policies, energetically training, promoting, and assigning minority nationality cadres. Group after group of outstanding minority nationality cadres have been promoted to positions of leadership at all levels to play a major role in the building of the armed forces and in strengthening border defense and the unity of the armed forces and government, the armed forces and the people, and the unity of nationalities.

For a long time, all units garrisoning minority nationality areas of the Inner Mongolia Military District have implemented the party's nationalities policy in a model way, have striven to train, promote and employ minority nationality cadres for the shaping of a fine tradition. In June 1990, following the changes in military region CPC Committee leaders, everyone set about diligently studying and putting into effect Marxist nationalities concepts and the party's nationalities policy in an effort to continue and carry forward the former fine tradition of training, promoting, and assigning minority nationality cadres. They conscientiously devoted strong attention to elevating a good performance in this work during the new era, regarding it from the strategic heights of implementing the party's political line and nationalities policy, and realizing the revolutionization, modernization, regularization, and strengthening of the building of the armed forces throughout the region as an important issue in the stability of the armed forces and the stability of the overall situation. When changes were made in division and regiment leadership teams, the military region's CPC Committee devoted careful attention to the promotion and assignment of minority nationality cadres. Although the regimental commander of a certain border defense regiment, Chairendaoerjiren [2693 0088 6670 1422 0679 0117] had been a regimental commander for a fairly short time, he was a home-grown cadre of Mongolian race who had long devoted himself to border defense, taking the lead in arduous struggle. The officers and men hailed him as the "camel regimental commander." He enjoyed considerable prestige, and the organization's decisive promotion of him to deputy commander of a military subdistrict evoked a fine response both among the troops and the public in the garrison area. In order to increase the number of minority nationality cadres in border defense forces leadership teams, the military region CPC Committee instructed units concerned to be sure to make selections.

Wang Qingshan [3769 7230 1472], a deputy regimental professional secretary of Mongolian race had served more than six years as a battalion political instructor. As a result of his outstanding achievements in his political career, the military region recorded a merit citation, third class, in his dossier. The CPC Committee in the border defense battalion in which he was located was evaluated as an advanced collective by the Beijing Military Region in 1989. Nevertheless, his assignment to a subdistrict was difficult. The Military Region arranged a position for him with jurisdiction over the entire region, promoting him to commissar of a certain border defense regiment. Jin Hu [6855 5706], director of the 291 Hospital and of Daur nationality, made sure to "only contribute zeal and not seek private advantage." He studied assiduously, and worked hard, making startling achievements in combining Chinese and Western medicine in the treatment of anal and intestinal illnesses. The military region CPC Committee requested higher authority to approve Jin Hu's promotion ahead of time. By way of putting the party's nationalities policy into effect in the work of cadres, military region organizations frequently sent people to the grassroots to inspect the status of implementation of party nationalities policy and cadre policy. In order to steadily replenish the minority nationality cadre ranks, each year military units specially called in a planned way for a certain number of minority nationality youths to enter the cadre corps. The military region CPC Committee also ruled specifically that the military region political indoctrination dadui should recruit border defense platoon commander cadets annually, minority nationality cadets to number no fewer than 50 percent. By way of increasing the enrollment rate for minority nationality soldiers, they requested higher authority to provide suitable consideration at the time of enrollment. In 1990, general headquarters ruled that after directly promoting cadres in advance from among the troops, the military region CPC Committee was to require each unit to proceed from realities in giving priority consideration to the promotion of minority nationality soldiers. Consequently, a substantial number of outstanding soldiers of minority nationality were promoted to cadre ahead of time in 1990. Today, a definite number of minority nationality cadres hold positions in division, brigade, and regimental leadership teams. In order to meet the needs of border defense work, minority nationality cadres have been posted among principal military and political officers in charge in most border defense military subregions and regiments (or groups). Large groups of minority national cadres have taken leadership positions at all levels in the exercise of key roles. They add vitality to the work of building troop units, building border defense, and particularly to the unity of the armed forces and the government, the armed forces and the people, and the unity of nationalities. They promote the revolutionization, the modernization, and the regularization of military units.

**Xu Xiangqian's Military Theory**

91CM0109A Beijing JUNSHI LISHI [MILITARY HISTORY] in Chinese No 6, 25 Nov 90 pp 3-7, 59

[Article by Zhu Yu (2612 3768): "A Summary of Xu Xiangqian's Military Theory"]

[Text] Marshall Xu Xiangqian was one of the founders and leaders of the Chinese People's Liberation Army [PLA]. His concept and methodology of proletarian warfare and his theories on the construction of a people's army, the strategies and tactics of a people's war, and the modernization of national defense played an important role in the formation and development of the system of Mao Zedong Military Thought, particularly in connection with the strategy and tactics of a people's war.

Xu Xiangqian's military theory is the product of the practical application of Marxism-Leninism and Mao Zedong Thought during the long course of the Chinese Revolutionary War. During the land revolution, when the two great revolutionary bases in Hubei-Henan-Anhui and Sichuan-Shaanxi were being led and created, and during his leadership of the several struggles against "encirclement," he creatively introduced a series of guiding philosophies for the construction of the People's Army, as well as strategic and tactical principles for guerrilla warfare, mobile warfare, quick-decision warfare, and warfare of annihilation. During the War of Resistance Against Japanese Aggression, in his efforts to establish an anti-Japanese base in southeast Shanxi, southern Hebei, and Shandong, he carried out and developed the strategic and tactical thought of the Communist Party Central Committee on the launching of independent, behind-the-lines guerrilla warfare, especially guerrilla warfare in the North China Plain. During the War of Liberation, he commanded the battles of Yuncheng, Linfen, central Shanxi, and Taiyuan, enriching our Army's theory on assaults upon large, fortified cities and field warfare with large army groups. After liberation, the country directed its efforts toward the modernization of national defense and construction of the militia. He took part in the major decisions of the party Military Commission, further enriching and developing Mao Zedong Military Thought under new historical conditions. The content of his contribution was primarily the following:

**I. Upholding the Leadership of the Party Over the Military and Making the Proletarian Revolutionary Spirit a Part of the Military Construction Ideology of Our Troops**

Xu Xiangqian believed that victory is impossible in revolutionary wars without an army of the people. Placing the troops under the absolute leadership of the Communist Party and making the troops struggle for the party's program, line, and tasks is one of the fundamental characteristics which distinguish an army of the people from all old-style armed forces, and it is the source of invincible power. "A great spirit produces great

armies, great soldiers, and great miracles."<sup>1</sup> Furthermore, only a party which takes Marxism as the theoretical foundation of its guiding philosophy can build up this great spirit and infuse it into all troop activities. In November 1929, he clearly called for the absolute leadership of the party over the Red Army, saying that "high-level party committees should set forth the work of the entire army and party." He set out the following tasks for the Red Army: launching and assisting various struggles by the masses in White-controlled areas, and resolutely carrying out the land revolution; stealing the armaments of the reactionaries; and supporting and expanding revolutionary base areas. He called for political work to strengthen the class consciousness of the troops as well as education regarding the land revolution. He also called for a strengthening of the organization of "soldier committees" so as to "create a democratic spirit within the Red Army, assist in the training of the soldiers, encourage soldiers to do propaganda work among the masses, and organize the masses."<sup>2</sup> When he was summing up and introducing the history of the growth and expansion of the 4th Front Army in June 1937, he stated that: 1) The Red Army is led by the Communist Party, it protects the general line of the proletariat, and its purpose is to liberate oppressed peoples and all of humanity. 2) The Red Army comes from the masses of peasant workers, and part of the Red Army consists of revolutionary soldiers and officers from the White Army. 3) The Red Army has strict discipline and organization. 4) The Red Army has class consciousness, and its commanders and soldiers are willing to sacrifice and fight to the end. 5) The Red Army represents the interests of the masses, and it enjoys their support. 6) The Red Army is the force that will thoroughly save the Chinese race and society, and it will resolutely stick to this mission to the end. 7) During the course of struggle, the Red Army is willing to criticize itself and correct any mistakes. 8) The Red Army upholds the true traditional spirit of the Chinese Revolution. During the War of Resistance Against Japanese Aggression and the Revolutionary War, he led his troops in resolutely carrying out the line of military construction and operational plan of the Communist Party Central Committee, upheld the division of labor and responsibility system among leaders, aggressively tapped the core leadership function of party organizations at every level, continually strengthened ideological and political work, and vigorously worked to ensure the victorious completion of military construction and operational tasks. In expounding upon the relationship between military and political work, he pointed out that, in general, the military serves the needs of politics, but in the army, political work serves the purpose of the army. Political work must be used to ensure military victory. Military work and political work are united. We must oppose the simple military concept that military cadres need only concern themselves with war and pay no attention to politics, and we must also oppose the tendency of political cadres to concern themselves only with politics while paying no attention to military matters. "Military affairs and politics cannot be separated.



These are two facets of the same issue, their tasks are part of a single overall task, and the two are equally important. One cannot be favored over the other." "After the party committee has discussed and made a decision, military and political cadres divide labor and implement this decision, working and struggling side by side to achieve the same tasks and goals."<sup>3</sup>

## II. The Theory of Guerrilla Warfare Which Calls for Avoiding the Enemy's Strengths and Attacking His Weaknesses

When Xu Xiangqian summed up the experience of guerrilla warfare of the Red Army in the Hubei-Henan-Anhui region in November 1929, he introduced seven principles of guerrilla warfare: 1) Concentrate operations and scatter guerrilla attacks. 2) The Red Army should attract as much participation by the masses as possible. 3) When intelligence on the enemy is not clear, we will not engage them. 4) When the enemy advances, we retreat; when the enemy retreats, we advance. 5) We will run circles around the enemy. 6) When the enemy is far away, we will first mobilize the masses to sabotage its operations, and then carry out guerrilla attacks. 7) Where the enemy has strong defense works, we will not engage them. He stated that "the key is to avoid the enemy where he is strong, attack the enemy where he is weak, destroy the enemy, and preserve ourselves. It does not matter whether you fight, flee, advance, retreat, concentrate your operations, or carry out scattered guerrilla attacks. You cannot abandon this one principle." After the War of Resistance Against Japanese Aggression began, in the course of guerrilla warfare that was led by Liu Bocheng and Deng Xiaoping in the southeast Shanxi base area, the fundamental operational principle was this: We must fight small battles, not big ones (act as circumstances allow, fight many small battles, and parlay many small victories into one big victory); we must fight flexibly, not rigidly (tactics should be flexible and varied; we should attack from the side or the rear, carry out ambushes, get the enemy to come over to our side, and attack a moving enemy as often as possible); we must fight quickly, not slowly (we must maintain the sudden nature of battles, finish battles quickly, and leave as soon as the fight is over); we must fight steadily, not wildly (we must plan each battle carefully, carry out painstaking reconnaissance, concentrate our troop strength where we enjoy the advantage, attack few with many, and fight no battles where we are not sure of the outcome). Using these principles, many victories were achieved under his command, including the defeat of the encirclement campaign of the 6th Army, the Battle of Xiangtangpu, and the defeat of the encirclement campaign of the 9th Army. When he led the establishment of an anti-Japanese base area in southern Hebei, he creatively carried out Mao Zedong's instructions on the conduct of guerrilla warfare in the plains. He summed up several principles regarding the leadership of guerrilla operations in the plains: 1) The strategic posture of a guerrilla force is long-term and defensive, while its tactical posture is offensive and seeks quick conclusion of battles. 2) We must defend in the

winter and attack in the summer. 3) We must hide by day and move by night. 4) We must destroy roads to slow down enemy communications. 5) Command and logistics organs should be prepared for combat at all times. 6) There are no determined operations behind enemy lines. 7) We must fight a "war of sparrows," [that is, fight in many small units] and our troops must continually change position. Using these principles, several hundred victories against "sweeps" were achieved under his command, enabling the base area in southern Hebei to develop and consolidate itself.

## III. The Mobile Warfare Theory of "Fighting Flexibly"

Xu Xiangqian believed that the word "flexible" was the central point in the conduct of mobile warfare. This principle entails congregating and dispersing forces flexibly, luring the enemy to where you want him, choosing the battle site, striking first, outflanking and encircling the enemy, finishing battles quickly, and annihilating the enemy as he flees. "If fighting a positional, defensive war in the cities is to fight 'rigidly,' then conducting mobile warfare is to fight 'flexibly.' As soon as you abandon the principle of flexibility, you are not conducting mobile warfare." "Flexibility" is the "core," "lifeline," and "secret" of mobile warfare. Back in the time of the Hubei-Henan-Anhui base area, he began to carry out a strategy of mobile warfare and mobile annihilation. He believed that, although the basic plan of the Red Army was indeed to smash the "encirclement" campaigns of the enemy by means of active defense, luring the enemy out, and annihilating the enemy through the use of inside information, he nevertheless also believed that, under certain circumstances, it was not only possible but even advisable to smash the enemy's "encirclement" campaign before the enemy had put its plan into effect by employing the forward deployment strategy of aggressive preemptive attacks. In military questions, he argued against all mechanistic theories which merely stuck to a single plan. In 1931 he commanded the main force of the Red Army's 4th Front Army, using a strategy of forward attack in which the troops moved frequently from place to place. He launched four offensives against the enemy, wiped out 60,000 enemy troops, and thoroughly smashed the enemy's third "encirclement" campaign. During the time of the Sichuan-Shaanxi base area, he again employed a method of mobile warfare designed to combat the enemy "siege." He did this by taking into account local topography, intelligence on the enemy, his own strength, and popular sentiment; combining positional warfare with mobile warfare; and gradually pulling back positions. When a superior enemy laid siege, the Red Army would adopt a method of warfare in which they "pulled back positions, fought every step of the way, waited for a chance to counterattack, and concentrated forces upon key targets." He would stay in places where the mountains were steep, roads narrow, and forests thick. He would first use part of his troops to resist the advancing enemy, and gradually retreat farther and farther into the hinterland until the enemy was exhausted. At that point he would concentrate his forces



and launch a general counteroffensive, outflanking, encircling, and annihilating the enemy. In order to achieve this, he combined the sustained strategy of the campaign with the "quick decision" tactic of battle. He used mobile positional defenses as his primary method of wearing out the enemy. He maintained that it was necessary in the early stages of a campaign to simultaneously fight against an enemy who is encircling you from many different directions. He advocated a gradual concentration of forces during the process of retreat into the hinterland. He generally chose as the destination and decisive battleground of his retreats some location in the interior of his base area. He carried out large-scale mobile annihilation of the enemy in the latter stages of any fight against "encirclement." His troops had to master many tactical skills, including mountain warfare, warfare on narrow roads, positional warfare, siege warfare, forest warfare, pursuit, and nighttime ambushes, thus controlling the enemy in this flexible manner. In 1934 he used this guiding philosophy to defeat the 200,000-strong 6th Route Army's encirclement campaign, wiping out more than 80,000 enemy troops. In the central Shanxi campaign during the War of Liberation, he emphasized various operational philosophies, including concentrating forces where one enjoys an advantage in order to annihilate the enemy, doing the unexpected, creating battle sites according to an advance plan, maintaining rapid mobility, and flexible alternation between offensive and defensive tactics. By doing so, he was able to defeat a 100,000-strong enemy with only 60,000 men.

#### **IV. He Treated His Soldiers According to the Philosophy That Strict Military Discipline Should Be Combined With Compassion**

Xu Xiangqian believed that the revolutionary army, as a highly concentrated and unified armed instrument used for the purpose of attacking the enemy and defending the people, must have rigorous requirements, rigorous training, and rigorous discipline. He argued that military orders must be taken absolutely seriously, and that orders and prohibitions could not be enforced laxly. During the Red Army period, he worked together with other leaders from the Red Army's 4th Front Army to formulate the following 10 items of military discipline: 1) Take no clothing from the poor people. 2) Take no grain from the poor people. 3) Be kind to the poor people. 4) Take care of your guns. 5) Conserve ammunition and do not fire wildly. 6) Spread the Red Army's political positions to the people. 7) Do propaganda work with the White Army along the battlefield. 8) Be sure to collect all weapons and gunpowder after capturing a city. 9) After capturing material goods, first look to the needs of injured comrades. 10) Study the topography and roads everywhere you go. Do not treat with lenience those who violate military orders or seriously flout discipline. During the War of Resistance Against Japanese Aggression and the War of Liberation, he demanded that his troops take the initiative to obey and defend the three main rules of discipline and the eight points for attention, and that they struggle against all violations of

discipline. He emphasized that "orders and instructions from superiors must be resolutely obeyed by subordinates, that it was all right to express dissenting opinions regarding orders and instructions, but that, until a superior changes an order, it must be resolutely carried out."<sup>4</sup> He always believed that strict military control was inseparable from compassion for the troops, and that the two things were not mutually opposed. This was a major difference between the people's army and all old-style armed forces. The execution within the military of the party's mass line was in reality the line which called for showing compassion to the troops and serving the soldiers. The living force of the army was, before all else, its people. In the people's army, the officers and men were all brothers from the same class. From the highest ranking marshal to the lowest platoon commander, the most fundamental issue was the thorough inculcation of the concept of showing compassion for and serving the troops, whether in headquarters, the political department, the logistics department, or some other department. "We must be concerned about their lives, about their education and training, and about solving their difficult problems. We must cherish their lives as we do our own."<sup>5</sup> When problems arise in relations between the officers and men, cadres must first ask themselves whether they love their soldiers. Cadres must love their soldiers in terms of politics, tactics, and daily life. He was opposed to the extremely pernicious tendency to pay attention only to one's superiors and not to one's subordinates. He felt that cadres had first of all to be good comrades, leaders, examples, and intimate friends for their soldiers if they were to do a good job of leading their men and forming their troops into a collective entity with combat strength. He believed that only by uniting "strict discipline" and "compassion" within this context would the army embody the class nature of the proletarian army, and only in this way would superiors and subordinates be united as one, would officers and men stand together, and would the army achieve victory wherever it went.

#### **V. Xu Xiangqian's Training Philosophy—Hard Training Produces Skilled Troops; Combat and Training Must Be Combined**

Xu Xiangqian believed that among the various factors needed to build up an army's combat strength, training was extremely important. Only by carrying out frequent, rigorous, and arduous training and by mastering tactical skills would troops be able to win big victories in battle at a small cost. Based on actual wartime conditions, he advocated combining combat with training. Xu Xiangqian said that "you have to realize that you fight a war on the foundation of good military training," and that commanders at every level "have to be able to fight as well as train," otherwise "their tactics would simply be a matter of sending people to die, which would represent total disregard for human life." When he summed up the training experience of the Red Army's 4th Front Army, he stated that training includes at least five points:

strengthening courage, improving skills, improving tactics, marching, and comportment. He stressed that commanders, especially those at the middle and upper levels, should study military theory, become thoroughly familiar with campaign and tactical principles, and improve their ability to exercise command flexibly. In order to instill an indomitable fighting spirit in his troops and to provide them with the necessary operational capability to adapt to various dangerous conditions, during the period of the Hubei-Henan-Anhui and Sichuan-Shaanxi revolutionary base areas, he formulated a program of tactical training which stressed certain points of high priority, targeted itself to particular enemies, and demanded rigorous, arduous, and difficult training. In carrying out this training, he took into consideration topography, the enemy, and comparative strengths. He took advantage of the lull between two enemy "encirclement campaigns" to carry out large-scale training, which comprehensively improved the military and political quality of his troops. As the strength of the Red Army grew, and the scope of its warfare expanded, he took care to develop divisions and regiments which were especially skilled in certain areas, such as attacking, defending, and carrying out ambushes by night. When it came time to fight, he concentrated his forces and threw them into battle at the key moment, thereby allowing them to perform the function of "the fist," "the nail," and the "sharp knife." During the War of Liberation, after the task of laying siege to the large cities became part of the agenda, he was faced with a situation in which great numbers of local armed bands grew into the main components of his troops. They had little combat experience and were poorly equipped. He handled the situation by introducing a troop construction plan in which the men "fought and built at the same time." He set vigorously about the task of training and education before and during combat. He paid special attention to training new troops. He stressed the importance of learning to attack by attacking, and "worked hard to train his troops into iron fists." During the Linfen Campaign, in which he fought to overcome the modern defenses of Chiang Kai-shek's army, the plan of "combining combat with training" played a key role. At the beginning of the campaign, only two of his brigades knew how to assault a fortification, but by the time the campaign was over, all nine of his brigades knew how to do it. Mao Zedong commented that "it was a very significant victory."<sup>6</sup>

#### VI. Xu Xiangqian's Ideology Regarding Improving Troop Comportment

Xu Xiangqian always felt that comportment was a part of combat strength, and that a revolutionary army "could not achieve its revolutionary political tasks, maintain its own survival, or destroy the enemy, unless it had good battle comportment." He believed that fighting in a "ferocious, aggressive, quick, vicious, and flexible manner" was an important reason why our troops were able to fight valiantly, repeatedly defeat formidable enemies, overcome all enemies, and avoid subjugation

despite the fact that the enemy was large and strong while we were small and weak. By "ferocious" he was referring to the attitude that "either the enemy or we must die." He wanted his troops to have the courage to fight and destroy the enemy, and wanted them to swear never to give up until the enemy was wiped out. By "aggressive" he was referring to the courage to fight hard and relentlessly, tenacity, and a willingness to "resist at all costs" and "hold out to the last five minutes" regardless of the danger. By "quick" he was referring to the need to fight with decisiveness and speed, or as the saying goes, "when still, you have to be as still as a virgin; when moving, you have to be as fast as a jackrabbit." Upon the foundation of rigorous organization and planning, you have to concentrate forces quickly, arrive at the battlefield quickly, deploy troops quickly, occupy advantageous sites quickly, drive the enemy away from his outer positions quickly, cut off the enemy's escape route quickly, overrun weak points quickly, disperse and reunite quickly, and expand the fruits of victory quickly. Only by acting quickly can you take advantage of opportunities in combat and attain quick victory. By "vicious" he was referring to the need to "advance like an arrow and fight with the force of thunder." This viciousness is a spiritual force capable of striking fear into the heart of the enemy as well as a powerful attack force capable of destroying the enemy. On the offensive, when you fight viciously you can overturn mountains and roil the seas; on the defensive, 10 men can hold off 100, and the collective will power of the masses protects them like a high wall. When they pursue a fleeing enemy and strike vicious blows against him, he will break like dry twigs. The more vicious the troops, the more carefully their commander should act. He must accurately use his forces when and where they are needed so as to avoid meaningless sacrifice and waste. By "flexible" he was referring to the need to adapt flexibly to changing situations. One must be good at capitalizing on advantageous objective conditions and the conflicts and weaknesses of the enemy. One must avoid the enemy's strengths and attack his weaknesses, do the unexpected, and defeat him every time. One must take actual conditions into account when deploying troops, either concentrating forces to attack the enemy or dispersing them to harass the enemy. One must take advantage of the strong points of the units. One must flexibly alter tactics according to different operational stages and different enemies so as to flexibly annihilate the enemy. One has to fully tap the subjective and dynamic role of one's commanders and troops on the battlefield. During the War of Liberation, he demanded that his troops develop a combat comportment in which they "assessed all situations cautiously and in detail, and acted quickly, decisively, bravely, with a clear head, and fearlessly, unproud in victory and undaunted in defeat."<sup>8</sup> He pointed out that the greater part of the combat comportment of the troops was molded by the commander. He emphasized that commanders at all levels must take the lead in establishing a good combat comportment.

## VII. Xu Xiangqian's Ideology Regarding Mass Warfare

From the time when the Hubei-Henan-Anhui base area was first established, Xu Xiangqian emphasized that the Red Army had to rely on support from the masses in the base area to carry out "the strategies and tactics of mass warfare." He also emphasized that "the Red Army must attract as many of the masses as possible to participate in its operations."<sup>9</sup> He argued that at the same time that the main force of the Red Army was being built up, they should work together with local party organizations to expand efforts to arm the people, and that they should carry out a three-in-one revolutionary war by developing the main force, local self-armament, and the masses. In the Hubei-Henan-Anhui and Sichuan-Shaanxi base areas, of which he was one of the main leaders, 200,000 and 90,000 people were armed in these two areas, respectively. During the land revolution, he paid close attention to organizing local self-armament and to encouraging the people to assist the Red Army's operations in every major campaign and battle, and they played an important role. During the War of Resistance Against Japanese Aggression, in the southern Hebei base area he introduced the slogan "a mountain of people on the plains." He stated that the power of the people was "a great force that the Japanese bandits would be unable to defeat" and "if we are to carry out guerrilla warfare in the plains, we must mold the people into a mountain. There is no mountain to match this sort of mountain."<sup>10</sup> At that time, he was able to dig over 10,000 li of tunnels solely by relying on the people, severely limiting the operational capabilities of the Japanese army. When summing up the experience of the victorious Linfen Campaign, he stated that the victory "was due primarily to the support of the people." If the people's army had carried out its operations on its own, it would never have achieved victory in the Chinese Revolutionary War. When the Central Military Commission was partially in charge of militia work in the 1960's, it was repeatedly mentioned that mass warfare was one of our great advantages and a key to attaining victory. We must forever adhere to and develop the tradition of mass warfare. He also introduced an overall philosophy for militia construction. This philosophy included the following points: 1) The important strategic position of the militia in maintaining national defense and peacetime construction and in fending off invasion must be taken seriously. 2) At the same time that we strengthen militia construction, we must focus on doing a good job of militia construction in important cities with civil defense fortifications. 3) Through rectification, education, and training, we must continually raise the quality of our militia, especially core members of the militia and the cadres of the People's Armed Police. 4) In militia construction, we should take grassroots construction as our main focus. We do not want big expenditures or showy, but useless, things. 5) We must combine labor and military activities, taking labor as the main focus. Urban and rural militia must take the lead in improving production, and militia activities must serve the needs of production. 6) To the greatest extent possible, military

training must be decentralized, must meet local needs, and must be made small. We must oppose formalism. 7) We must adhere to the system of dual-track leadership over militia construction that is exercised by local party committees and the military system. After Xu Xiangqian became Minister of Defense and chairman of the Military Strategy Commission in 1977, he advocated: 1) reform of militia work; 2) reduction of numbers during ordinary times; 3) improvement of quality; 4) reorganization; 5) focusing upon priorities; 6) implementation of a strategic reserve force system which would combine the militia with the reserves, as well as a system of regular training and education for the militia; 7) and fully tapping the role of the militia in national defense economic construction, coastal and border defense, and law and order.

## VIII. A Few Important Concepts Regarding Peacetime National Defense Construction and Troop Construction

From the late 1970's through the mid-1980's, Xu Xiangqian introduced many important opinions on the development of national defense and troop construction in the new period, including: 1) No matter what the situation, the absolute leadership of the party over the military must be adhered to. The troops in the People's Army must uphold with all their hearts the principle of serving the people, and carry on and develop the excellent traditions of our military, forever preserving the class character of the people in our Army. 2) In constructing a modern military force, we must serve the overall interests of national economic construction and adhere to the principle of self-reliance. We must take full advantage of relatively peaceful international conditions, study and gain a grasp of modern military science and technology, and go forward with the modernization of our national defense. 3) We must clearly identify our operational targets, and adhere to a strategic program of active defense. In the areas in which China could possibly be invaded, we must decide on the basis of topography and other factors whether to lure the enemy in deeper or to resolutely resist every advance. We must firmly plant our feet in the present as we prepare for the future. We must build up defenses where they are most needed, coordinate laterally and vertically, and rely upon the three-in-one system which combines the main military forces, local armed forces, and the militia, so that we can always be prepared to defeat a large-scale invasion. 4) We must maintain a lean army with a rational structure. We should take actual conditions as our point of departure, and determine organization, personnel, and equipment in a scientific manner. In ordinary times, our organization must serve the needs of wartime. The leadership system must be reformed. The relative proportions between the various military services and arms must be rational. Topography and tasks vary from region to region, so we cannot mechanistically adopt a single type of organization everywhere. Once organization has been decided upon, it must be kept relatively stable. 5) The modernization of weapons and equipment is an important indicator of the modernization of our troops. If we

are to change the backward state of our weapons and equipment, we must vigorously strengthen research and development of new weapons and technology, reform the system of equipment management as well as the system of military industrial research, and fully tap the enthusiasm of the ranks of scientific researchers. 6) Human resources are the greatest asset of military construction. Without a large pool of cadres (especially key leaders) with both moral and intellectual quality and capable of meeting the needs of modernization, our organization and equipment, no matter how rational or advanced, will be useless. We must reform the cadre work system, and we must excel at discovering, using, and protecting talent. Universities are the bases where we hone our human resources, so we must work to place university work in a strategic position and continually strengthen it. 7) In developing modern warfare and military science and technology, we cannot do without the guidance of scientific theory, especially research and innovation in military science. We should vigorously strengthen research in military science. We must uphold Mao Zedong Military Thought at the same time that we carry it forward to greater glory by applying it to current conditions. We must respect our own experience at the same time that we learn from the successful experience of foreign countries. We must uphold the program of "letting 100 schools of thought contend" so as to enrich our military science. 8) We must see to it that our troops are part of the people, carry out a program in which highly skilled regular troops are combined with a powerful reserve force, and strengthen strategic reserve force construction.

#### Footnotes

1. Xu Xiangqian. "The Red Army Does Not Fear the Difficulties of a Long Campaign," HONGQI [RED FLAG], October 1986.
2. First Congress of the Hubei-Henan-Anhui Base Area of the Communist Party of China. "Resolution on Military Issues."
3. Xu Xiangqian. "We Must Earnestly Train and Educate the Troops," December 1947.
4. Ibid.
5. Ibid.
6. Party Military Commission telegram, 1 June 1948.
7. Xu Xiangqian. *A Historical Retrospective*, p. 233.
8. Xu Xiangqian. *We Must Work Hard To Forge an Iron Fist That Will Excel at Storming Fortifications*.
9. First Congress of the Hubei-Henan-Anhui Base Area of the Communist Party of China. "Resolution on Military Issues."
10. Xu Xiangqian. "Launching Guerrilla Warfare in Hebei," May 1938.

#### Political Education Intensified in Inner Mongolia

91CM0225B Hohhot NEIMENGGU RIBAO in Chinese  
2 Dec 90 p 1

[Unattributed article: "Inner Mongolia Military District Intensifies Political Building in the Armed Forces"]

[Text] Using the spirit of Jiang Zemin's speech as a guide, all military units in the Inner Mongolia Autonomous Region are striving to intensify political building. They are educating the broad masses of cadres and soldiers, firmly instilling the thought of "ardent love for the frontier, keeping their mind on the frontier, protecting the frontier, and building the frontier" for diligent fulfillment of all tasks in strengthening border defense.

While passing along level by level the study of the spirit of Comrade Jiang Zemin's speech, the Inner Mongolia Military District has organized its far-flung officers and soldiers for diligent study of the theme of "ardent love for the frontier, keeping one's mind on the frontier, protecting the frontier, and building the frontier" in a vigorous effort to intensify political building in the armed forces. Education to deepen and strengthen socialist ideology is being continued in the armed forces to increase the ability of the far-flung officers and men to resist bourgeois liberalization. A campaign has also been launched throughout the military district to read good books and sing good songs. CPC Committees at all levels have promptly organized forces to edit and publish *Soldiers of the Motherland and the Frontier* to serve as teaching material for ideological education in the "four frontiers." A number of models by Wang Xinmin [3769 2450 3046] that make a prominent contribution to the strengthening of the unity of the armed forces and government, the armed forces and the people, and the unity of nationalities, such as "the Lei Feng-style military doctor who guards the border and loves the people," have been publicized and commended to educate officers and men to be a new generation of models in guarding the border peoples, making a contribution to building a unified, rich, and cultured Inner Mongolia. A certain garrison division in Hohhot took account of realities in the garrison area to launch an active campaign of founding an "autonomous region capital cultured division." Recently, this division transferred cadres and soldiers into old liberated areas in the mountains to help the masses in the capital construction of farmland. In conjunction with the campaign to found a model border defense regiment, a certain border defense regiment took the initiative in sending personnel to leagues and cities in the garrison region to solicit opinions. It also sent 13 peasant help teams to Hohhot to help the herdsmen with preparations for the overwintering of livestock.

Using the spirit of Jiang Zemin's speech as a guide, all border defense units are diligently studying methods and techniques for improving logistics to sharpen border

defense logistics. They have taken the initiative to cooperate with local governments in the prompt organization of joint military, People's Armed Police, and citizen logistics, which has effectively improved frontier region control to ensure stability and tranquility in the frontier region.

### **Inner Mongolia Military Commander Inspects Militia**

*91CM0225A Hohhot NEIMENGGU RIBAO in Chinese 2 Dec 90 p 1*

[Article by Han Wei (7281 0251) and Yan Guanghua (7051 1639 5478): "Diao Congzhou, Inner Mongolia Military District Commander, Inspects Grassroots Units, Emphasizes That People's Forces at All Levels Must Make a Contribution to the Region's Unity, Stability, Prosperity, and Progress"]

[Text] Acting on Military Commission Chairman Jiang Zemin's important instruction to inspect Inner Mongolia, Inner Mongolia Military District Commander Diao Congzhou [0431 1783 3166] recently inspected the work of people's armed units in Chifeng County, Jirem League, Baotou, Ulanqab League, and Hohhot. He passed along to people's armed unit cadres at all levels instructions from Chairman Jiang, and called upon people's armed units to understand the situation clearly, to clarify the important tasks for which they are responsible, to strive to do a good job in their positions, and to actively make new contributions to the autonomous region's unity, stability, and development.

Commander Diao Congzhou inspected people's armed units in five leagues and cities and 13 banners and counties between 25 October and 22 November. He held informal discussions with some people's armed unit cadres and militia cadres, and he discussed with everyone basic ideas for carrying out Chairman Jiang's instructions. Diao Congzhou said that changes in the domestic and international situations, and the strategic position of the region mean that people's armed units at all levels must give paramount position to unity and stability, and strong border defenses. They must diligently carry out the spirit of the autonomous region's nationalities unity and progress awards conference, and continue to develop in depth the campaigns that the region's militia has pursued for many years in winning glory for the unity of nationalities, playing the main leading role in the great unification of people of all nationalities. They should maintain the glorious tradition of the party controlling the armed forces, ensure the party's absolute leadership of armed forces work, and further consolidate unity and stability in Inner Mongolia to advance steady building of the economy.

After visiting the national defense education exhibition in Hongshan District, Yuxin Township, and a military demonstration given by the militia's quick-reaction detachment at the dairy products plant in Tongliao City, and the weapons and ammunition depot in Ulanqab

League; and militia training bases in the Donghe District of Baotou, Commander Diao said that this is the foundation of armed forces work. Resources can be available for use at crucial times only by doing a good job in every aspect of basic construction to ensure implementation at the grassroots level of militia reserve duty tasks. Banner and county militia training bases must use fulfillment of militia training tasks as a basis for doing a good job of production and operations. In view of the still fairly poor economic conditions in the region, in particular, more attention must be given to using bases in multiple ways, widening channels, operating according to law, ensuring that earnings are used for the building of militia reserves, making full use of the military, economic, and social benefits that military bases provide for a gradual reduction of the burden on the masses. People's armed units at all levels must continue to carry forward a spirit of arduous struggle, and proceed from realities as they exist in Inner Mongolia in an effort to improve people's armed forces work to make a contribution to the building of a unified, prosperous, and cultured Inner Mongolia.

### **Motor Car Unit Observes 10-Year Safety Record**

*91CM0225C Hohhot NEIMENGGU RIBAO in Chinese 13 Dec 90 p 1*

[Article by Chen Jianjun (7115 1696 6511) and Luo Junxi (5012 0193 0823): "Military District Motor Car Regiment Firmly Installs Safety-First Thinking—10 Consecutive Years Without Fatal Accidents Attributable to Negligence"]

[Text] An Inner Mongolia Military District motor car regiment has firmly instilled a guiding thought that focuses on safety. Since the end of 1980, its vehicles have been operated safely for 20 million kilometers, or the equivalent of 500 trips around the globe, maintaining a record of 10 consecutive years with no fatal accidents attributable to negligence.

This regiment is responsible for border defense transportation duties in the region covering 8,000 li. Despite the complex roads, arduous conditions, and widely scattered personnel, cadres at all levels have persevered throughout in a responsibility system for looking after vehicles. Before vehicles start out, cadres issue three reminders: a reminder of the mission, the route, and things to be watched; and three checks during the trip: a check on vehicle operation, the load, and vehicle condition. After vehicles return to the motor pool, there are three reports to be made: a report on job performance, on personnel thinking, and on safety. When making deliveries, a regular cadre is sent out with an individual vehicle, a squad motorcade has a platoon commander, a platoon motorcade has a company cadre, and a company motorcade has a battalion leader. When this regiment delivered ammunition in October 1988, it made an on-the-ground inspection of "Nantianmen" where there are numerous curves, steep hills, and great dangers. It made specific plans for vehicle speeds, vehicle distances,

and rendezvous points for a dangerous section containing 72 curves in a distance of three kilometers. It delivered more than 800 tons of ammunition over a total distance of more than 200,000 kilometers without an accident of any kind.

Long practice in driving vehicles has made all the officers and men in the motor car regiment deeply aware that safe driving depends on more than good technical qualities, one must also have a fine ideological foundation as insurance. Therefore, during the past 10 years, all regiment CPC Committees have devoted great attention to the ideological and moral training of the drivers, and

rectification of work style and discipline. In the performance of duties, they have also adhered to the practice of making a daily record, making a weekly critique, and making a monthly mini-summary. Consequently, safety-first thinking has been firmly instilled in all drivers.

Statistics show that for the past 10 years the title of advanced unit in safe driving has been conferred on units in this regiment 26 times; personnel have been evaluated as red-banner vehicle drivers 192 times; two individuals in one unit have been awarded a merit citation, second class; and 11 units and 126 personnel have been awarded a merit citation, third class.

## EAST REGION

**Shandong Reports on Crackdown on Party Work Style**

*SK3112154690 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 29 Dec 90*

[Text] The Shandong Provincial CPC Committee held a meeting of provincial-level departments for leading cadres with party membership at Jinan's Nanjiao Guesthouse on the morning of 29 December. Zhang Quanjing, Standing Committee member of the provincial party committee and secretary of the provincial Discipline Inspection Commission, gave a report on the province's endeavors to improve party style and maintain administrative honesty.

Zhang Quanjing said that party committees and Discipline Inspection Commissions at various levels throughout the province have greatly intensified efforts since the beginning of this year to improve party style and maintain administrative honesty. They have conscientiously investigated and handled law and discipline breaches and solved the problems reported by the masses, thus creating a provincewide major climate for intensified efforts to improve party style and administrative honesty.

Zhang Quanjing said that the various levels and various departments of our province have adopted effective measures since the beginning of this year to realistically solve the problems that caused the masses to be strongly dissatisfied. They also have made conscientious efforts to solve the problem of private houses being built in violation of laws and discipline. A total of 14,969 households were found to have built private houses in violation of laws and discipline; 8,029 people had economic sanctions or other punishments applied to them; and 13.71 million yuan of embezzled funds were recovered. A total of 2,900 people were found to have attended school with public funds in violation of regulations, and 4 million yuan of public funds were recovered. A total of 169 million yuan of public funds were discovered to have been lent to cadres, staff members, and workers, and 128 million yuan were recovered. Unauthorized department coffers were cleaned up to recover 17.47 million yuan. A total of 11,869 cases concerning arbitrary collection of fares, fines, and donations were handled, of which 10,245 cases were concluded, and 8,693 party members were punished, of which 89 were cadres at and above the county and section level.

Zhang Quanjing pointed out, "Although our province has made encouraging achievements in improving party style and maintaining administrative honesty, we should not overestimate the achievements. We should continue to make painstaking and meticulous efforts to achieve solid results. Party committees and discipline inspection committees at various levels should further solve their ideological problems, correctly understand and handle the relationship between the endeavors to improve party

style and maintain administrative honesty and economic construction, and make unremitting efforts to carry out these endeavors."

Yin Zhongxian, deputy secretary of the provincial Discipline Inspection Commission, gave a report on the mistakes committed by several leading cadres with party membership at the departmental and bureau level. He also reported on the opinions concerning initial ways to handle their cases. Liu Zhongqian, vice chairman of the provincial Advisory Commission and deputy leader of the provincial leading group for punishing corruption, presided over the meeting. Attending were provincial leading comrades, including Gao Changli, Liu Peng, Wang Chengwang, Wang Runzhai, Sun Shuzhi, Li Yu, Wang Shufang, Xu Jianchun, Lin Ping, Yan Qingqing, Li Ye, Ma Shizhong, Wang Lequan, Song Fatang, Zhou Zhenxing, Ding Fangming, Jin Baozhen, Wu Fuheng, Yu Peigao, Zang Kun, Zhang Jingtao, Song Yimin, Ma Changgui, and Han Bangju, and veteran comrades of the province, including Zhao Lin, Gao Keting, Qin Hezhen, Xu Leijian, Gao Fengwu, Zhang Zhusheng, Wang Weiqun, Wang Xing, Zhou Xingfu, Li Sijing, Tian Haishan, Bai Yanbo, Sai Feng, Sun Hanqing, Feng Leijin, and Chen Fengjiu.

## NORTHWEST REGION

**Rural Peasants Drawn to Xinjiang Cities**

*91CM0144A Beijing RENMIN RIBAO in Chinese  
3 Dec 90 p 4*

[Article by RENMIN RIBAO reporter Ceng Kun (2582 0981) and XINHUA correspondent Li Xianguo (2621 3807 0948): "Why Are the 'Migratory Birds' Not Flying Away?"]

[Text] Large numbers of peasants from coastal and interior provinces and areas are pouring into the cities and towns of Xinjiang and taking up professions which are looked down upon by some city residents. This phenomenon has occurred season after season for more than 10 years. Local people commonly refer to these mobile peasants as "migratory birds."

However, in recent years, many of these "migratory birds" have not flown away. They remain, living in the cities in a relatively stable manner, and do not come and go with the seasons. Urumqi alone has more than 70,000 of these "citizens of other provinces" as residents. Half of the 20,000 people under the jurisdiction of the Yamalik office in Shayibake district are this type of resident.

Why are the "migratory birds" not flying away? Many of the details of the story offer food for thought.

In 1981, the employment situation in Urumqi was most severe. Originally, there were young people awaiting employment assignments that were not yet ready. In the entire city there were more than 10,000 youths awaiting employment. However, at this very time, large numbers

of peasants from economically developed coastal and interior provinces began pouring into Urumqi. They were able to take advantage of one employment opportunity after another. Henan peasant Fan Shijie [2868 0013 2638], who was only 27 when he arrived in Urumqi, spotted an opportunity to earn money as soon as he set foot in the city—buying junk. He got junk from residents and then sold it to companies handling waste products. Everyday he would take in anywhere from several dozen yuan to over 100 yuan. In less than two years, he bought a truck. Now, he has spent close to 10 years in Yamalike and has had two children born there; the older child already attends school. Except for the fact that his house is built simply and crudely, his living standard is the same as that of other city residents, and his family has a good supply of household electrical appliances. Not long ago, his younger brother, his younger brother's wife, and three members of their family came from their Henan village to join him. According to estimates by those in the know, more than 5,000 people from other provinces have concentrated on the junk business in Urumqi.

Collecting junk is only one of many ways to earn money here. When Zhou Xiping [0719 6932 1627], a tailor from a village in Jiangsu Province's Wuxi County, arrived in Urumqi in 1983, he initially worked keeping watch at several large bazaars. Later, after he had gradually become familiar with the environment, he rented a house and opened a tailor shop. Now, five people—he, his wife, cousin, nephew, and an apprentice—work busily everyday for 15 or 16 hours, and they cannot keep up with the backlog, which is several months worth of work. Zhou believes that more than seven or eight families from the same village have come to Urumqi to work as tailors.

China's villages have undergone tremendous changes since reform and opening up. However, when it comes to the living standards of the whole society, those of the village are still far inferior to those of the city. This necessarily creates conceptual differences between villagers and city dwellers. With regard to obtaining employment, some city residents think that "money should be earned in an honorable manner." As a result, we have the strange phenomenon where "some people have nothing to do with work, and some work has nothing to do with people." The view of the majority of villagers, however, is that they are willing to do any type of work as long as they are making money. Therefore, after peasants from eastern areas enter cities in western areas, where the commodity economy is more developed, unconditional competition will naturally give them more opportunities to make money compared with city residents.

At the same time, they open up and support many tertiary industries, make up for deficiencies, and satisfy the needs of border towns. They work hard to provide services and make life convenient for people of various nationalities. In the last 10 years, people of each of Urumqi's nationalities have had a common experience: All have engaged people to make furniture, and virtually all this furniture was the work of fine craftsman from other provinces. All have engaged tailors to make clothing, and again, nearly all the clothing was the work of peasant tailors from other provinces. All have taken steps in their desire to deal with waste products and old, worn out items without paying, and this has been handled by peasants from other provinces, who drop by and gain exclusive selling rights. All have had ceilings fit in their houses and had their shoes repaired, and again, all of this was contracted out to peasants from other provinces. Outsiders have already become indispensable members of local economic life, and have been warmly welcomed by people of all nationalities. This is one of the reasons they are able to stay on and live. Local people like them, and many local people make it convenient for them to remain and live in a particular area.

Regardless of how long they stay and live in a particular locale, and regardless of whether their relations with the local people are harmonious, it is still possible to discern differences between the lives of peasants who have come from other provinces and the lives of local people. At home, the living circumstances of the great majority of these "migratory birds" appear to be characterized by a sense of "making do temporarily." For example, the furnishings are simple, and even if some people build a dwelling, they make due with whatever is available. Every month they risk their lives to make money, and except for the amount set aside for daily sustenance, their money is sent to families back home. They have no illusions and understand that under the present municipal administrative system, there is no great probability of their becoming permanent residents. The current problem is that, on the one hand, the city needs these "migratory birds," while on the other hand, when "migratory birds" remain and live in cities, it creates the serious phenomenon of "people being separated from their families." This also creates difficulties in terms of urban family planning and public order. In reality it is a choice between two problems. Looking at the history of urban development and human civilization, every major city in countries worldwide has prospered and been enriched due to the influx of large numbers of rural people, and modern human civilization must go through a process of urbanization. In China, how can we walk a path of urbanization that possesses Chinese characteristics? How can we solve the problem of "migratory birds"? Clearly these questions merit continued discussion.



**Editorial Lists Financial Center Infrastructure Needs***91CE0243B Taipei CHING CHI JIH PAO in Chinese  
16 Dec 90 p 2*

[Editorial: "Building Taipei Into a Regional International Financial Center Will Require Careful Planning"]

[Text] In November, President Li Teng-hui visited the Executive Yuan's Economic Construction Committee. Upon hearing a briefing on the Six-Year National Construction Plan for the first time, he said that the building of Taipei into a western Pacific region "international financial center" should be a part of the Six-Year National Construction Plan. There are already three international financial centers in the western Pacific region, namely Hong Kong, Singapore, and Tokyo. Although it is somewhat late for Taiwan to be getting started, the 1997 deadline for Hong Kong is fast approaching. Whether Hong Kong's international financial position in the western Pacific will be able to exist at that time is problematical. The present offers a fine opportunity to give active impetus to Taiwan's plan to take over Hong Kong's international financial position in 1997. In addition, Taiwan has outstandingly qualified talent and huge foreign exchange reserves. Moreover, world financial markets have grown rapidly during the past 10 years, those in the Asian region fastest. In addition, Taiwan is centrally located in the Asian-Pacific region. These fine conditions and environment will be of considerable assistance in building Taipei into an "international financial center" in the western Pacific region.

Central bank foreign exchange bureau director Peng Chun-nan [1756 0402 0589] revealed in a speech he made the other day to the 14th Sino-American industrial and Business Association in Taipei that in order to build Taipei into a regional international financial center, the central bank will coordinate with organizations concerned in taking the following six specific actions: 1) construction of an official finance building to provide international financial institutions a place of business at reasonable rents to induce these financial institutions to move their Asia region headquarters to Taipei; 2) improve the quality of telecommunications equipment to reduce both international direct dialing telephone system and fax rates, making them competitive with fees collected in other international financial centers while improving telecommunications equipment efficiency and speed; 3) permit international currency brokers to operate in Taipei, the global financial communications network of these professional brokers serving the effective expansion of the scale of all kinds of currency dealings between Taipei and other cities; 4) increasing the authority and functions of finance personnel research and training centers to provide financial market personnel the operational training courses need for international financial jobs; 5) building of a Taipei international financial commodity exchange center, importing new international financial commodities such as various kinds of currency futures and trading in options; and 6)

establishment of a gold market to provide the citizenry with more investment channels, to digest excessive savings deposits, permitting various financial institutions to issue gold certificates as a convenience to investors in gold trading. In addition, large amounts of gold currently held in the country can also become working finance capital.

The above six specific actions are conditions that the "international financial center" must take. However, on the basis of our survey of the process of development of the existing three "international financial centers" in Hong Kong, Singapore, and Tokyo, not only must the above six conditions be met, but even more important prerequisites are as follows:

1. Liberalization of finance and foreign exchange with free entry and exit for both telecommunications and personnel. International financial center dealings consist of large numbers of dealings between financial institutions. In a country such as Taiwan, in particular, where the economy is not large, the formation of a future international financial center will rely on cross-border dealings, and dealings in third country currencies other than the United States and the New Taiwan dollars. This will require establishment of open internal and external financial institutions and the removal of restrictions on the flow of capital inside and outside the country. Furthermore, split-second changes occur in international financial markets, so financial communications must be available at all times. The control that is currently exercised over domestic financial communications will have to be examined and restrictions removed to permit financial communications to enter and leave freely. In addition, in an international financial market movement of people in an out of the country is extremely frequent. Therefore, existing controls over the departure of people from Taiwan will also have to be examined and removed to permit free movement of personnel.

2. Laws must be completely examined, revised, and repromulgated. Current Taiwan laws having to do with finance pose a thicket of problems for the maintenance of good financial procedures and for advancing healthy financial development. They are even more incompatible with an international financial center on the scale envisioned. They must be completely replaced to meet requirements for establishment of an international financial center. Those that can be revised should be revised, those that should be scrapped should be scrapped; and where new ones should be promulgated, they should be promulgated. The point we want to emphasize, in particular, is the low efficiency and bewilderment about legislation in the present government, and the tendency to revise minor matters while avoiding a complete revision of the law, or using executive orders as the norm. This way of doing things cannot continue to be applied to the founding of an "international financial center." A "comprehensive" job of revising the laws must be done. In addition, legislative committees must increase legislation efficiency as well. Unless both the

executive and legislative branches have such a perception, the founding of the "international financial center" will remain distant and unobtainable.

3. Better training of international financial talent. Although the Central Bank has already mentioned increasing the authority and functions of a financial study and training center, we believe this is still not enough. This is because international financial personnel have to possess not only professional knowledge and foreign language skills, but must have actual experience. We should use as Singapore's methods as a reference. At the outset, the Singapore government hired international finance experts from Wall Street in New York City to go to Singapore to serve as advisors, and to do the basic work necessary for training personnel. Once the country had basic international financial expertise, it sent personnel abroad to

international financial centers in New York and London to study actual international financial operations.

Finally, we suggest that inasmuch as the government has decided to make Taipei an "international financial center" for the western Pacific region that it plan carefully everything that is to be done. All the conditions necessary for an "international financial center" that have to be met must be completely met, and all government policies, except for special financial dealings that should be restricted, should be left to the civilian sector. If the government is able to perceive the importance of the whole body of methods, and do careful planning as well as enlist the support and energetic cooperation of organizations concerned to provide positive impetus, we believe that completion of the building in Taipei of a Pacific region "international financial center" during the Six-Year Plan can be anticipated.

**3.6 Percent Economic Growth Forecast for 1991**

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[By Paul Marriage and Gareth Hewett]

[Text] Hong Kong's economy will grow by 3.6 percent in 1991 according to the Hong Kong Bank's yearly forecast issued yesterday.

The forecast tips a dramatic improvement on the growth for 1990, expected to be 2.2 percent. It also predicts a slight easing of inflation, down to 8.5 percent from its current double-digit levels.

Increased consumer spending due to a rise in real incomes is cited as one of the main reasons for the economy's anticipated improvement.

A boost in China trade, a strong construction sector and a revival in tourism will also contribute to the more vibrant growth, according to the forecast.

The bank says the days when Hong Kong notched up double-digit growth rates—it almost reached 20 percent in 1976—are over. With the territory's increasing reliance on new export markets and its tight labour market, GDP (gross domestic product) growth will rely more and more directly on the productivity rate.

"In these circumstances the prospect is for a slower rate of GDP growth than in the past, but quite possibly a higher growth rate of GDP per head," the bank says.

In other words, the economy is not going to grow as fast but the territory's workers are due to make more money out of it.

"Hong Kong exports should avoid some of the impact of slower growth in the US and UK markets by diversifying into markets which are growing more strongly," the bank recommends.

In that respect the territory will be aided by the continuing weakness of the US dollar, to which Hong Kong's currency is pegged.

The Hong Kong Bank's prediction is one of the most significant indicators on economic performance as the bank is reckoned to be close to government thinking.

Secretary for Monetary Affairs Mr. David Nendick gave a guarded welcome last night to the optimistic figures.

The Hong Kong Bank's December Economic Report says the economy grew only slightly, if at all, in the first nine months of 1990. Industrial investment plunged 8 percent and domestic exports shrank by 2 percent, leaving local growth for the year at 2.2 percent—the lowest rate of increase in 15 years.

The territory's saving grace was the strength of China trade; with Beijing taking its foot off the brakes again, re-exports grew by a healthy 13.6 percent.

"China's economy is expected to strengthen in 1991 because of easier credit and renewed international lending, leading to a gradual recovery in exports to China for final use there," says the bank.

Construction also propped up GDP this year, showing growth of between 7 and 7 percent in real terms during the first half of the year. Next year it will power further ahead due to the huge amount of office space in the pipeline.

Private spending fell last year because of worries about future income, weak domestic exports and a sluggish stock market. Next year private spending will rise by more than 1 percent, a boon for shopkeepers.

In that respect, Hong Kong's chronic labour shortage is a lifesaver, though it has a negative impact on inflation.

Speaking before the release of the economic forecast, the Hong Kong Bank's chief economist, Mr. Alan McLean, said he expected Hong Kong wage rises to outpace inflation again in 1991.

"There is not a great deal of unemployment. We don't expect there to be a big growth in demand [for Hong Kong products] but, even if there were, I am sure we would not be able to satisfy it," he said.

Mr. Nendick said that if the forecast proved to be correct then there was room for some cheer.

"If 3.6 percent does turn out to be right it will mean there is an increase on that for last year."

Mr. Nendick suggested the government's own economic forecast indicated the territory's growth would not be much above that for this year.

"There are a number of uncertainties during 1991, not the last of which will be the Middle East, and of course we want to see what happens with GATT [General Agreement on Tariffs and Trade], as that has not been resolved yet," said Mr. Nendick.

The bank's forecast follows promising figures released last week for the level of retained imports, which recovered above the \$20 billion level in the latter half of 1990.

That figure is generally regarded as a strong pointer because it includes not only consumer demand, but also retained imports of raw materials and semi-manufactures. This suggests a stronger manufacturing sector and higher future exports.

In making its forecast, the bank has assumed an oil price of US\$25 (HK\$195) a barrel.

Other predictions on the Hong Kong economy's future have generally not been quite as rosy. While top research brokerage Baring Securities estimates growth of more than 4 percent, and South China Securities say GDP growth will hit 3.6 percent, other analysts have been more cautious.

CEF [expansion unknown] estimates it will be 3.5 percent, Hoare Govett weighs in with 3.4 percent, Wardley Investment Services forecasts 2 percent, and Mr. David Tran of Prime Asia Investment says growth will be anaemic at only 1 percent.

In its most recent economic briefing, last November, Government economist Mr. Tang Kwong-yiu was forced to revise downwards his 1990 GDP growth forecast to 2.3 percent, from 2.5 percent previously and well down

on the March Budget forecast of 3 percent made by Financial Secretary Sir Piers Jacobs.

He also revised upwards his inflation outlook to 9.7 percent, from 9.5 percent previously and 8.5 percent announced in the budget. Even this revision may seem optimistic because the latest inflation figures, announced on Christmas Day, lacked any festive cheer. They showed the primary inflation indicator at 10.9 percent in November.

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